Groupe Laperriere & Verreault Inc.

AR67

GL&V

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POSITIONED FOR GROWTH

2002 ANNUAL REPORT

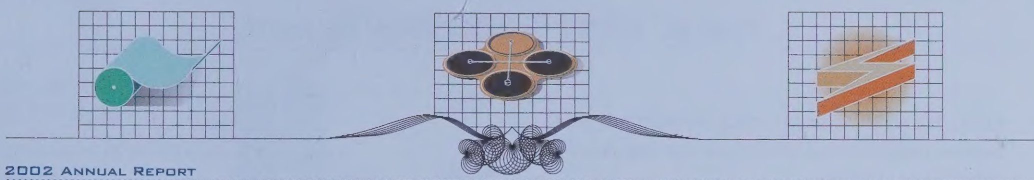
Profile

Founded in 1975, Groupe Laperrière & Verreault Inc. ("GL&V") is a world leader in the design, manufacture, upgrading, and after-sales servicing of engineered equipment used in pulp and paper production and in liquid/solid separation processes. Besides the pulp and paper industry, the Company serves various industrial sectors such as mining and minerals, chemicals and food, energy and the environment.

GL&V holds the proprietary rights to a portfolio of technologies and trademarks recognized around the world. In addition to its own manufacturing facilities in North America, its products are manufactured primarily by an international network of subcontractor partners, providing the Company with rapid execution and a competitive cost structure that can easily be adapted to market fluctuations.

A world-class integrated supplier, GL&V employs some 1,200 people and is present in 40 countries on five continents.

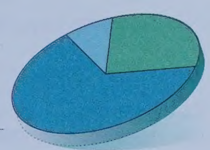
Contents



Description of Business

GL&V concentrates on three principal groups of activities.

Segmented Breakdown of Sales for Fiscal 2002 (1)



63.5%	28.4%	8.1%
Pulp and Paper Group	Process Group	GL&V Manufacturing

(1) Before inter-segment eliminations

Pulp and Paper Group

One of the Leading Suppliers Worldwide

Customer Base: International pulp and paper industry

Products and Services: Broad range of equipment, spare parts and aftermarket services designed for chemical pulping and recycled fibre processing, stock preparation, papermaking including the wet and dry parts of paper machines, and paper finishing

Principal Trademarks: Albia, Beloit-Jones, Beloit-Lenox, Black Clawson-Kennedy, Celleco, GL&V, Hedemora, Impco, LaValley, National Refiner Plate, Sandy Hill

Sales in 2001-2002: $240.8 million (1)

Principal Subsidiaries and Divisions:

- **GL&V USA Inc.**
  Hudson Falls, Watertown, *New York*
  Lawrenceville, Cairo, *Georgia*
  Lenox, *Massachusetts*
  Nashua, *New Hampshire*
  Vancouver, *Washington*
- **GL&V Canada Inc.**
  Trois-Rivières, Dorval, Sherbrooke, *Quebec*
- **GL&V Sweden AB**
  Stockholm, Hedemora, Tumba, *Sweden*
  Pune, *India*
  St. Petersbourg, *Russia*
  Valladolid, *Spain*
  Setúbal, *Portugal*
  Torcy, *France*
- **GL&V Finland Oy**
  Espoo, *Finland*
  Beijing, *China*
- **GL&V Australia Pty. Ltd.**
  Melbourne, *Australia*
- **GL&V Brasil Ltda.**
  Campinas SP, *Brazil*
- **GL&V South Africa**
  Sandton, *South Africa*

Process Group (GL&V/Dorr-Oliver)

One of the Leading Suppliers Worldwide

Customer Base: International mining and minerals, chemicals and food industries, and the environmental sector

Products and Services: Broad range of engineered equipment, spare parts and aftermarket services for liquid/solid separation processes (filtration and sedimentation systems, clarifiers, sludge thickeners, oil recovery systems, etc.)

Principal Trademarks: Dorr-Oliver, GL&V

Sales in 2001-2002: $107.8 million (1)

Principal Subsidiaries and Divisions:

- **GL&V Dorr-Oliver**
  Division of GL&V Canada Inc.
  Orillia, *Ontario*
- **GL&V/Dorr-Oliver Inc.**
  Diadema SP, *Brazil*
  Milford, *Connecticut*
  Alpharetta, *Georgia*
- **GL&V/Dorr-Oliver de Mexico, S.A. de C.V.**
  Mexico D.F., *Mexico*
- **GL&V/Dorr-Oliver de Chile Ltda.**
  Santiago, *Chile*
- **GL&V/Dorr-Oliver France SARL**
  Torcy, *France*
- **GL&V/Dorr-Oliver GmbH**
  Wiesbaden, *Germany*
  Hoofddorp, *Netherlands*
  Beijing, *China*
- **GL&V Australia Pty. Ltd.**
  Lidcombe, *Australia*
- **GL&V South Africa**
  Sandton, *South Africa*

GL&V Manufacturing

GL&V's Largest Manufacturing Unit

Customer Base: Pulp and paper industry (including the Pulp and Paper Group), the energy sector, other industrial customers (including the Process Group)

Products and Services: Machining, customized manufacture and mechanical assembly of heavy equipment (drum washers, heat exchangers, condensers, hydroelectric equipment componants, etc.), spare parts and aftermarket services

Principal Trademark: Canron

Sales in 2001-2002: $30.8 million (1)

- **GL&V Manufacturing**
  Division of GL&V Canada Inc.
  Trois-Rivières, *Quebec*

Fiscal 2001-2002 at a Glance

GL&V delivered its second best performance ever, despite weak market conditions and non-recurring costs of $4.9 million.

- Net earnings of $12.9 million ($16.6 million excluding non-recurring costs)
- Fully diluted earnings per share of $1.34 ($1.72 excluding non-recurring costs)
- Normalized EBITDA margin of 9.4% versus 8.4% in 2001:
  - Greater focus on the aftermarket (52.1% of sales)
  - 32.5% increase in the Process Group's EBITDA
- Net profit margin of 3.7% (4.7% excluding non-recurring costs)

GL&V continued to build significant economic value for its shareholders.

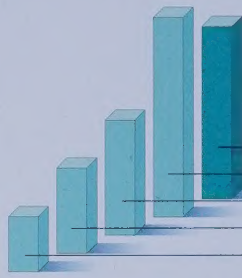
- Return on equity of 17.3% (22.3% excluding non-recurring costs)
- Payment of a special dividend of $0.20 per share
- Appreciation of 70.4% and 65.7% respectively in Class "A" and Class "B" share prices
- Redemption of 299,000 shares of its share capital in the normal course of business

GL&V further strengthened its balance sheet.

- Available cash of $25.3 million as at March 31, 2002
- $11.6 million or 27.2% reduction in total net indebtedness: total net debt to invested capital ratio lowered from 37.8% to 28.2%

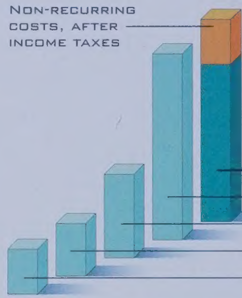
GL&V was honoured on two occasions by the Canadian business community.

- December 2001: Designated as one of the 50 best-managed companies in Canada
- May 2002: Designated, by the 2002 *Mercuriades* Contest, as the year's best large corporation in Quebec and the best large corporation in the "Foreign Markets" category



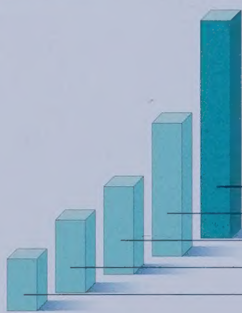
Sales (in millions of $)

2002	352.6
2001	407.5
2000	235.4
1999	175.9
1998	110.9



Net Earnings Before Non-Recurring Costs (in millions of $)

2002	16.6
2001	15.2
2000	6.8
1999	4.3
1998	3.7



Cash Flows from Operations (in millions of $)

2002	31.3
2001	19.1
2000	12.6
1999	10.5
1998	7.4

With a more targeted organization and an advantageous cost structure, GL&V is solidly positioned for the recovery that should materialize this year in most of its sectorial and geographical markets.

Investor Information

Brokerage Firms Covering GL&V Share
National Bank Financial
Scotia Capital
Desjardins Securities
Sprott Securities

Investor Relations
Pierre Lépine, Vice-President, Corporate Development
Address: 1550 Metcalfe Street, Suite 600, Montreal, Quebec H3A 1X6
Telephone: (514) 284-2224
Fax: (514) 284-2225
E-mail: pierre.lepine@glv.com

2001-2002 Annual Information Form
Available as of August 16, 2002 from SEDAR, or upon request at GL&V's Head Office

Annual General Meeting of Shareholders
Wednesday, September 25, 2002, at 11:30 a.m.
Omni Mont-Royal Hotel
Pierre de Coubertin Room
1050 Sherbrooke Street West
Montreal, Quebec

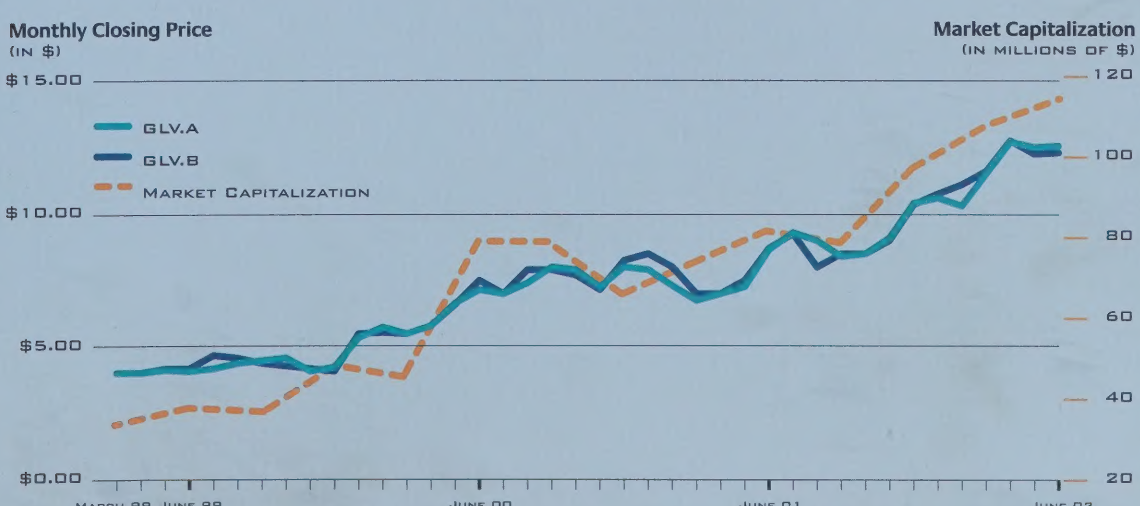
Financial Reporting Schedule (preliminary)

1st Quarter	August 9, 2002
2nd Quarter	November 8, 2002
3rd Quarter	February 10, 2003
4th Quarter (and Fiscal 2003)	June 6, 2003

Financial Highlights

Fiscal Years Ended March 31,	2002	2001	2000	1999	1998
Operating Results (in thousands of $)					
Revenues	**352,628**	407,465	235,440	175,922	110,871
EBITDA	**27,072**	34,837	20,894	14,044	10,590
Normalized EBITDA (1)	**33,095**	34,282	19,906	14,824	10,529
EBITDA margin	**7.7%**	8.5%	8.9%	8.0%	9.6%
Normalized EBITDA margin (1)	**9.4%**	8.4%	8.5%	8.4%	9.5%
Net earnings	**12,920**	15,243	6,837	4,282	3,653
Net earnings before non-recurring costs	**16,639**	15,243	6,837	4,282	3,653
Net margin	**3.7%**	3.7%	2.9%	2.4%	3.3%
Net margin before non-recurring costs	**4.7%**	3.7%	2.9%	2.4%	3.3%
Return on equity	**17.3%**	25.0%	13.9%	9.6%	9.2%
ROE before non-recurring costs	**22.3%**	25.0%	13.9%	9.6%	9.2%
Cash flows from operations	**31,317**	19,122	12,615	10,481	7,403
Financial Position (in thousands of $)					
Total assets	**220,505**	231,210	225,907	136,623	100,557
Long-term debt (2)	**56,378**	58,636	71,909	30,149	14,931
Shareholders' equity	**79,180**	70,315	51,719	47,002	42,596
Available cash	**25,255**	15,903	15,793	6,831	13,731
Total net indebtedness	**31,123**	42,733	61,359	28,897	8,755
• as a % of total invested capital	**28.2%**	37.8%	54.3%	38.1%	17.0%
Per Share Data (in $)					
Net earnings					
• basic	**1.37**	1.60	0.82	0.52	0.49
• fully diluted (3)	**1.34**	1.57	0.69	0.43	0.40
Net earnings before non-recurring costs					
• basic	**1.76**	1.60	0.82	0.52	0.49
• fully diluted (3)	**1.72**	1.57	0.69	0.43	0.40
Cash flows from operations					
• basic	**3.32**	2.01	1.54	1.27	0.99
• fully diluted (3)	**3.24**	1.97	1.26	1.05	0.75
Dividends	**0.20**	0.10	--	--	0.10
Book value	**8.44**	7.32	6.22	5.63	5.18

(1) Before non-recurring costs and gains or losses on the disposal of assets
(2) Including current portion
(3) In April 2001, the Company retroactively adopted the new recommendations (section 3500) issued by the Canadian Institute of Chartered Accountants ("CICA") with respect to earnings per share. The application of these new recommendations increased fully diluted earnings per share for the fiscal year ended March 31, 2001 by $0.10. Fully diluted results for the previous fiscal years have not been adjusted.



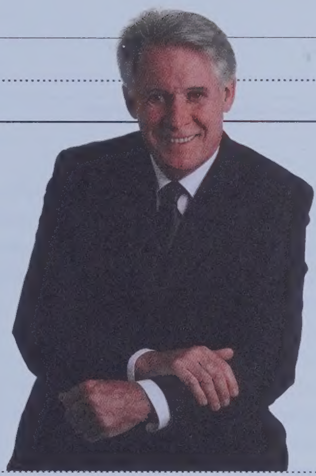
Message to Shareholders

In 2001-2002, despite the most difficult business environment we have seen in years, GL&V not only achieved a strong financial performance, but also positioned itself more solidly for the recovery expected in its major markets by late 2002, as well as for the longer term.

The impact of the September 11 events on an already weakening economy caused a sharp decline in the world demand for most commodities, which seriously affected our two major markets: the pulp and paper industry and the mining and minerals sector. Besides keeping their capital investments to a minimum, our customers reduced their capacity by closing dozens of production units, especially in North America. This important shrinkage of the market led to a 13.5% decline in GL&V's sales, including a 16.7% decrease for the Pulp and Paper Group and 9.8% for the Process Group.

We promptly reacted to the situation. First, in each of our groups, we strengthened our ability to service our installed equipment base and made further efforts to increase our market share in the relatively more stable aftermarket. As a result, this market accounted for over half our revenues in the last fiscal year, contributing to a significant increase in our profit margins. Secondly, we took the measures needed to adapt our organization and costs to the current business environment. In North America, we completed an important rationalization and reorganization of the Pulp and Paper Group, while the Process Group finished restructuring the operations acquired from Dorr-Oliver in 1999. In Europe, we decided to put an end to the joint venture created the previous year with the Coinpasa/Enertec Group, and wrote off from our balance sheet the principal assets connected with this entity.

These measures entailed non-recurring costs totalling $4.9 million in the last fiscal year, but should yield major savings in 2002-2003. They were adopted with a view to enhancing our operating flexibility and profitability, without jeopardizing our most strategic assets, competitive edge or the achievement of our long-term objectives.



Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

GL&V NONETHELESS CLOSED FISCAL 2002 WITH NET EARNINGS OF $12.9 MILLION OR $1.37 PER SHARE. WE THEREBY DELIVERED A 17.3% RETURN ON SHAREHOLDERS' EQUITY, IN ADDITION TO THE SPECIAL DIVIDEND OF $0.20 PER SHARE PAID IN THE THIRD QUARTER. EXCLUDING THE NON-RECURRING COSTS, WE POSTED OUR BEST PERFORMANCE EVER, WITH NET EARNINGS OF $16.6 MILLION OR $1.76 PER SHARE, FOR A 22.3% RETURN ON EQUITY.

GL&V IS IN A SOLID POSITION TO CARRY ON ITS ROLE AS AN INDUSTRY CONSOLIDATOR, BY SEEKING ACQUISITIONS CONSISTENT WITH ITS PERFORMANCE CRITERIA AND STRATEGIC GOALS.

Overall, we deem fiscal 2002's achievements and results quite satisfactory, considering the very difficult circumstances faced by our customers. What's more, for the first time in five years, figures for 2001-2002 do not include the contribution of any major acquisitions. They are essentially the result of the strategies we have implemented in the past few years to build a value-added business, and of management decisions strongly focused on profitability and our ability to respond to market trends.

We have reduced our vulnerability to capital spending fluctuations in the North American pulp and paper industry by positioning ourselves as a service-driven niche player — as reflected by GL&V's growth in the aftermarket which accounted for over 52% of our sales last year — and by developing other sectorial and geographical markets. In the coming years, we will strive to further balance our revenues between our two major business segments: the Pulp and Paper Group and the Process Group. We have also built an operational structure that can be rapidly adapted to fluctuating demand. Now well-established worldwide, our outsourcing network enables us to minimize the risk and costs associated with manufacturing assets while giving us access to a large production capacity.

We further strengthened our financial position, to close the fiscal year with available cash of $25.3 million and total net indebtedness down 27.2% from the previous year. In addition, the Company's market capitalization topped the $100.0 million mark, fuelled by increases of 70.4% and 65.7% in Class "A" and Class "B" share prices over the past twelve months.

WE ARE ENTHUSIASTIC ABOUT OUR FUTURE OUTLOOK AS GL&V IS POSITIONED AND STRUCTURED TO REMAIN A RELIABLE GENERATOR OF PROFITABILITY AND VALUE FOR ITS SHAREHOLDERS, EVEN DURING ECONOMIC DOWNTURNS, AND TO LEVERAGE ITS GROWTH IN PERIODS OF ECONOMIC PROSPERITY.

WE ARE ALSO PAVING THE WAY FOR GL&V'S LONGER-TERM FUTURE BY DEVELOPING OUR PRESENCE IN SECTORIAL AND GEOGRAPHIC MARKETS THAT ARE CURRENTLY GROWING OR LIKELY TO TAKE OFF WITHIN A FEW YEARS.

Despite a slight improvement since March 2002, demand and prices for pulp and paper products remain weak, and manufacturers are likely to keep tight control over their capital spending projects. We therefore expect conditions to remain difficult in this market for the major part of 2002, and then to gradually improve in the following quarters. Trends in the mining and minerals industry appear more favourable over the short term. In recent months, metal prices have picked up again and are likely to continue rising into 2003, according to analysts, which should encourage producers to restart some of the infrastructures shut down in 2001 and to consider new capital projects.

In this context, our prime objective in 2002-2003 will be to maintain or increase our profit margins. We will continue to focus most of our energies on the aftermarket in North America and Europe, where our greatest potential lies in the support we can provide for the operators of the thousands of Beloit, Dorr-Oliver and Celleco machines to which we hold the proprietary rights, knowhow and trademarks.

We recently undertook to reorganize our sales and services to the North American pulp and paper industry based on a regional centres concept. That will enable us to serve our customers more efficiently and proactively and to raise GL&V's profile as an integrated one-stop supplier of products and services. Combined with our ongoing investments in product improvement, establishing closer ties with our customers will put us in an advantageous position once they relaunch their capital expenditure projects.

For instance, owing to its technologies, the Process Group is well positioned to increase its share of the U.S. municipal wastewater, industrial waste and mine tailings treatment market, which will likely be the focus of major equipment investments in the coming years due to ever-stricter environmental standards. GL&V Manufacturing is also progressively building a world-class customer base in various industrial sectors, including the energy industry.

We are currently reinforcing our sales and engineering teams in some high-potential regions where investments in the mining and pulp and paper industries are expected to grow at an accelerated pace in a near future, and where we benefit from a broad base of Beloit and Dorr-Oliver equipment. We are therefore developing our mixed market concept in Brazil, Chile, Australia and South Africa. In these countries, we seek to expand our product lines and to conclude business alliances so as to efficiently support our current and potential customers in the mining and the pulp and paper sectors.

WHILE THE COMING MONTHS WILL NO DOUBT BRING THEIR SHARE OF CHALLENGES, THEY WILL ALSO OFFER OPPORTUNITIES THAT WE ARE READY TO SEIZE.

As conditions are likely to remain sluggish for another few quarters, competition is expected to be fierce, especially in the aftermarket. However, we believe we have a definite competitive edge, since we benefit from the largest installed equipment base in North America, and one of the greatest numbers of designs and patents around the world. Furthermore, GL&V has traditionally been a service-oriented supplier, and we have earned an excellent reputation for our ability to deliver reliable solutions at competitive prices under optimal conditions. We thoroughly understand our markets and have so far accurately read trends to position ourselves accordingly.

Our greatest strength is our responsiveness — in adapting to change, addressing market needs and serving our customers — which we owe first and foremost to our qualified, versatile and proactive employees. I would like to sincerely thank each and every one of them for their courage and determination, which have enabled GL&V to successfully meet the challenges of the past twelve months, and to share with them the well-earned pride of a year of achievements and results. I am convinced that their skills and creativity will continue to guide the Company toward further success. I would also like to thank all our business and financial partners — customers, suppliers, shareholders and bankers — and to express my gratitude to our Board members for their invaluable support.

I especially wish to acknowledge the past contribution of Jean-Pierre De Montigny, who recently stepped down after sitting on our Board for over 16 years, as well as Gérald Tremblay, who also relinquished his Board membership to dedicate himself to his new responsibilities as Mayor of Montreal.

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer
June 2002

World-Class Positioning

Five continents, 40 countries

In recent years, GL&V has played a key role in the consolidation of its industry through a dozen acquisitions that have made it a global supplier serving an international customer base, including world leaders in the pulp and paper and mining industries. GL&V offers an extensive range of proprietary products under recognized trademarks, several of which enjoy a strong position in terms of installed base of equipment in operation around the world.

Head Office and Executive Office

Operating Centres

Agents and Licensees

Albia

Beloit-Jones

Beloit-Lenox

Black Clawson-Kennedy

Canron

Celleco

Dorr-Oliver

Hedemora

Impco

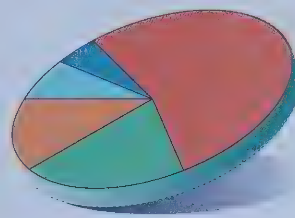
LaValley

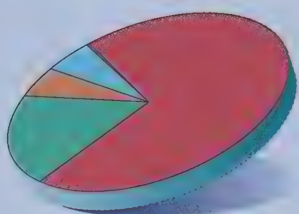
National Refiner Plate

Sandy Hill

Geographic Distribution of Revenues in Fiscal 2002

53.4%	United States and South America
20.7%	Canada
14.5%	Europe
6.9%	Asia
4.5%	Australia, Africa and others





Revenue Distribution by Customers' Businesses

71.1%	Pulp and paper
18.6%	Mines and minerals, metallurgy food and chemicals
5.0%	Environment
5.0%	Energy
0.3%	Others

Industry Trends

In 2001, demand for market pulp, paper and board fell sharply in most world markets.

According to the Council of Pulp and Paper Producers ("CPPP"), Europe, the world's largest user of market pulp, sustained a 6% decline in demand, while the demand for market pulp decreased by 10% and 21% respectively in the United States and Japan. China was the only major exception to the rule. Excluding this region, the world demand for market pulp fell 5% in 2001, causing prices to plummet.

Still according to the CPPP, in the United States, the Pulp and Paper Group's main market, the demand for paper and board has declined by close to 10% since early 2000, to hit a six-year low in the first quarter of 2002. In reaction to the falling demand and prices, pulp and paper manufacturers cut their production sharply, withdrawing an unprecedented amount of capacity from the market.

Trend in Demand for Paper and Board in the United States
and Production Capacity Utilization Rate (1995-2003)

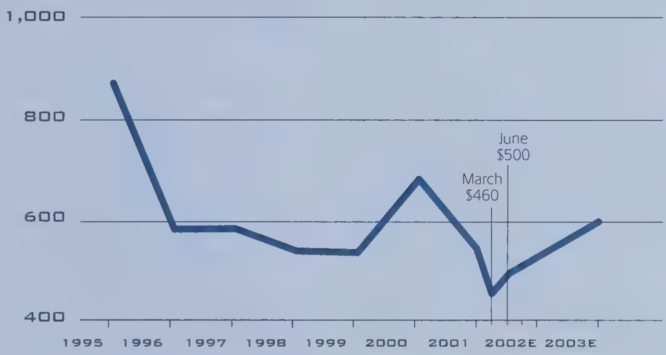
[illegible]

Pulp and Paper Group

As for the average prices of market pulp, they decreased by some 20% in 2001, to hit a six-year low in March 2002.

However, prices have started to pick up again since then, and most market analysts expect this trend to continue in 2002 and intensify in 2003.

Change in Average Prices for NBSK Chemical Pulp
(Northern Bleached Softwood Kraft Pulp)
(in US$/metric ton)

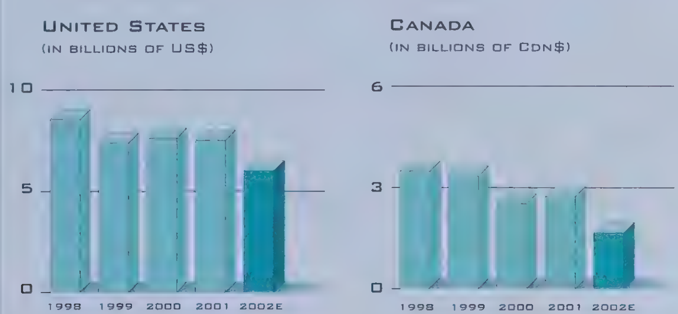


Source: Scotia Capital

What's more, according to the statistics published in June 2002 by the Council of Pulp and Paper Producers, world shipments of chemical pulp in the first five months of 2002 showed an 10% increase over the same period in 2001. At the end of May 2002, the inventories of chemical pulp producers worldwide were down 30% from the previous year, and plant operation rates were up 5% over 2001. These are all encouraging signs of a recovery.

In such a context, while tightly controlling their expansion projects, manufacturers are likely to gradually restart part of the production capacity withdrawn in 2001. Although investment forecasts for American and Canadian pulp and paper manufacturers are below 2001 levels, they should nonetheless spend some US$6.0 billion and Cdn$1.5 billion respectively in 2002. Most of these capital expenditures will focus on increasing efficiency, an area where GL&V excels.

Capital Spending by North American Pulp and Paper Producers (1998-2002)



Source: Pulp & Paper Magazine

WITHIN THE LAST FEW YEARS, THE PULP AND PAPER GROUP HAS RIGHTLY SENSED THAT THE PULP AND PAPER INDUSTRY IN THE NORTHERN HEMISPHERE WAS UNDERGOING AN IN-DEPTH AND DEFINITIVE TRANSFORMATION, AND THAT INVESTMENTS WOULD SHIFT FROM NEW CAPITAL PROJECTS TO UPGRADING, IMPROVING AND MAINTAINING EXISTING EQUIPMENT TO MAXIMIZE ITS PERFORMANCE. WITH A CERTAIN LEAD ON OUR INDUSTRY, WE DECIDED TO TAKE ADVANTAGE OF THIS TREND BY REDIRECTING OUR STRATEGIC PRIORITIES TOWARD THE AFTERMARKET. ONE OF OUR MAJOR GOALS IN DOING SO WAS TO FULLY DEVELOP THE POTENTIAL OFFERED BY THE ACQUISITION OF BELOIT'S TECHNOLOGIES AND TRADEMARKS. WE MADE FURTHER PROGRESS IN THIS DIRECTION LAST YEAR. WHILE CONTINUING TO IMPROVE OUR COSTS AND OUTSOURCING NETWORKS, WE INCREASED OUR ABILITY TO MEET CUSTOMERS' NEEDS BY REORGANIZING PART OF OUR BUSINESS, ACQUIRING NEW TOOLS AND ENHANCING OUR FLAGSHIP PRODUCTS.

(IN MILLIONS OF $)

REVENUES

2002	240.8
2001	289.0
2000	164.0
1999	135.5
1998	69.8

(IN MILLIONS OF $)

EBITDA
(BEFORE NON-RECURRING COSTS)

2002	13.5
2001	26.4
2000	13.1
1999	9.1
1998	6.5

North America

In this mature market where producers focus mostly on service and costs, GL&V chose to differentiate itself as a dedicated supplier of cost-competitive products and services to the pulp and paper industry. In fact, few players in our sector have as many patents and original designs as GL&V and the companies it has acquired. Few also have the know-how to support pulp and paper producers' existing technologies in order to develop, in partnership with them, the best technological and economical solutions that will lower their operating costs and optimize their equipment's performance. We moreover pledge to deliver our products and services faster than other major suppliers.

To build upon these advantages, we reviewed our organization and all our services. Besides our engineering and product management structure, we are redeploying our sales and service resources within a regional network that will bring us closer to our customers' business centres. That will allow us to provide customers with better technical support and to be more flexible, while simplifying and facilitating our relationship with them. This structure will also reduce costs thanks to greater synergy between our "pulp" and "paper" sectors, especially in regard to market development, centralized administrative services, procurement and management of our international outsourcing networks. A first regional centre dedicated to customer service has been set up in Vancouver, Washington to serve Western North America. We will establish others this year, so as to position ourselves in four or five strategic regions to better serve our customers.

To keep pace with changing market needs, we continue to invest in the improvement of our existing products with a view to enhancing their performance. For instance, we are fine tuning our Hydra-Sizer™ paper impregnation system, a technology unique to GL&V, which is attracting growing interest in the market. At our pilot plant in Watertown, New York, we recently invested in a shoe press technology that provides customers with a new solution. These investments will notably enable us to integrate the latest pulp refining and sifting, reeling, sheet formation and starch application technologies.

Geographic Distribution of Revenues
(in %)

Europe and International

European market conditions were relatively less difficult than in North America in 2001. In fact, the Pulp and Paper Group delivered a record number of Celleco and Hedemora disc filters in Europe, representing almost all of the filters sold by GL&V and its competitors combined. Our primary source of future growth in this market lies in the base of Beloit equipment in operation across the continent, which we have barely started to exploit. For instance, there are 1,500 Beloit-Jones pulp refiners in Europe, that require upgrading every 10 years. Our objective for the coming years will be to fully develop this potential. To that end, we have created a team dedicated exclusively to the aftermarket.

We will also seek to reinforce our engineering and service capabilities in the "paper" sector and to broaden our product line by importing some of our technologies from North America, including Hydra-Sizer™. In addition, we are working on various development projects to enhance our existing line, including the fine-tuning of a late-generation fractionation pulp cleaner. Finally, we aim to increase our presence in France, Germany, Spain, Italy and other regions where the pulp and paper industry will be the focus of major upgrading investments in the coming years. That's especially the case in Russia, which currently accounts for some 15% of our European sales.

From our office in Campinas, Brazil, we have undertaken to develop regional hubs employing local professionals, which will offer a full range of engineering, sales and aftermarket services. We will invest the time and energy needed to recapture part of the business of the region's many operators of Beloit equipment in order to participate, within three to five years, in the expected boom of the Brazilian market. We are gradually building our reputation in Asia, especially in China where we have delivered equipment for pulping and the wet part of paper machines, including headboxes and forming sections. We also plan to expand our presence in India and Indonesia.

Although the Australian economy was quite affected last year, we are pursuing our mixed market strategy with the Process Group. The same goes for South Africa, where we are training our sales and service force, mostly in the aftermarket.

In 2002-2003, our primary objective will be to develop long-term relationships with customers for our spare parts, equipment maintenance and upgrading services, so as to position ourselves for their future capital expenditures. To do so, we will capitalize on our technologies, wide range of products and services, competitive cost structure and knowledge of pulp and paper manufacturing processes. Above all, we will focus on our customers' and our own organization's profitability, by further reducing our product costs and increasing the efficiency of our outsourcing networks around the world.

Richard Verreault
President,
Pulp and Paper Group
June 2002

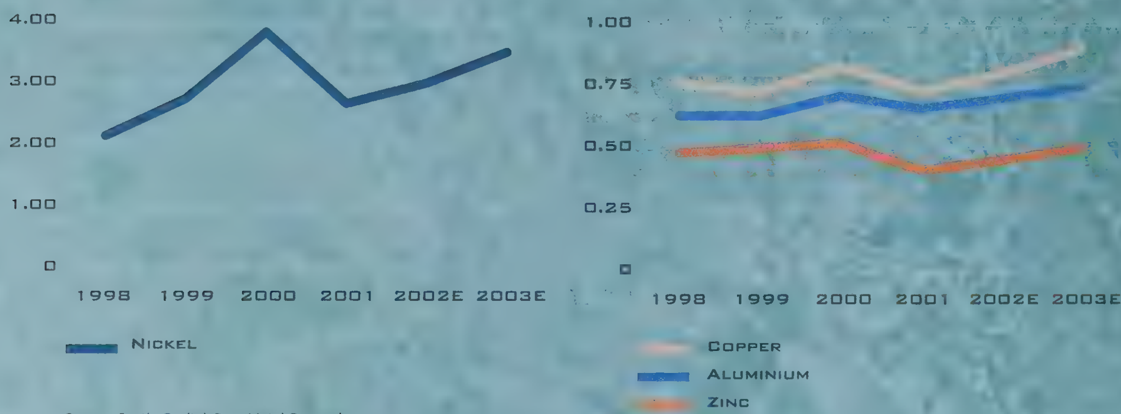
Process Group

Mining and Minerals Industry Trends

In 2001, the metals and minerals industry suffered the worst market deterioration since the early 1980s. For instance, metal production in the United States fell 10% while ore-based product output was down 8%. However, experts expect demand and prices for most base metals to improve in 2002, and grow at an accelerated pace through 2003. This sector should remain buoyant until at least 2005.

As demand outstrips supply, prices will move higher which should encourage producers to reactivate, by the end of 2002, most of the operating sites closed last year, many of them in the United States. As the planned expansion projects of existing facilities become economically viable again, producers will begin to move forward. Over the longer term, new sites will have to be commissioned to keep up with demand, especially in the Southern Hemisphere.

Western World Price
History and Forecasts for Major Base Metals
Average price per pound (in US$)



Source: Scotia Capital, Base Metal Quarterly

Key Factors Driving Long-Term Growth in Demand:

Copper:	Construction, electrical transmission and telecommunications, including new applications such as cellular telephones
Zinc:	Galvanized steel used in the transportation sector, construction and certain consumer goods
Nickel:	Intensified use in some special alloys and technological applications, including cellular, computer and video camera batteries (world demand should increase by some 5% annually, outpacing growth for all other base metals)
Aluminum:	Containers, motor vehicles (growing aluminum content) and the aerospace industry (80% aluminum content; world demand for commercial aircraft is expected to increase by some 60% within the next decade.)

Process Group

Municipal and Industrial Environment: Another Long-Term Growth Source for the Process Group

In the United States, increasingly strict environmental regulations offer considerable growth potential to water treatment equipment suppliers. New legislation such as the "Safe Drinking Water Act" is forcing municipalities to upgrade the now outdated water treatment systems installed following the passage of the "Clean Water Act" in 1972. Industrial waste treatment will also grow sharply as a result of the more stringent conditions placed by the Environmental Protection Agency (EPA) on industries such as minerals and chemicals. For example, sales of clarification systems are expected to rise at a rate of some 6% annually between now and 2007.

Clarifier Sales in the United States (1997-2007)
(in millions of US$)

2007 E	168.2
2006 E	159.4
2005 E	151.6
2004 E	143.8
2003 E	135.7
2002 E	127.8
2001	120.1
2000	112.0
1999	104.2
1998	98.2
1997	93.8

Source: Frost Sullivan

Over the past two years, most of the Process Group's (GL&V/Dorr-Oliver) efforts have focused on integrating the international base acquired from Dorr-Oliver in 1999. From the outset, our strategy was two-tiered. Firstly, we sought to position ourselves in the most active market niches, such as aftermarket services and the environmental sector, as well as some growing geographical markets. Secondly, we aimed to insulate ourselves by establishing an operational structure that would allow us to perform well in an economic slowdown while increasing our ability to respond quickly at the first signs of a recovery.

(IN MILLIONS OF $)

Revenues

2002	107.8
2001	119.6
2000	74.6
1999	35.3
1998	30.3

(IN MILLIONS OF $)

EBITDA
(Before non-recurring costs)

2002	11.7
2001	8.9
2000	6.6
1999	3.1
1998	2.7

North America

We finished integrating our North American business in 2001, which proved successful across the board. Not only did we retain, but we also expanded our customer base and we managed, in the middle of a recession, to turn a substantial profit on assets that were operating at a loss at the time of their purchase.

Revenues from our aftermarket business rose significantly last year. We attribute this success to our more flexible organization and broadened selection of products and services to include some sectors ignored by Dorr-Oliver. Besides the equipment to which we hold the proprietary rights, we undertook to support certain non-captive components of our customers' systems.

Even though the mining and minerals industry was sluggish last year, we supplied a variety of underground mining machinery. We also invested in product development and improvements, including flotation and paste technology, which also carries over into high-density thickening. Such technologies position us advantageously as regards to the growing environmental applications of the mining and minerals industry, especially the treatment and disposal of mine tailings where operators will have to spend considerable amounts in the coming years to comply with governmental standards.

Several investment projects could emerge in North America with the upswing in demand and prices. Apart from the environmental segment of the industry, however, we expect most capital spending to shift from the Northern to the Southern Hemisphere. That means greater demand for new mining equipment in developing countries and a solid aftermarket in North America and Europe. We will be present on both fronts.

While it still accounts for a relatively small portion of our revenues, our municipal environment business is likely to represent a sustained source of growth for GL&V/Dorr-Oliver. Last year, we doubled our sales in this market by delivering components in about 15 U.S. states. Considering the age of existing equipment, we believe the replacement market will offer a steady or rising opportunity during the next decade. We benefit from competitively priced, high-performance wastewater treatment technologies that improve the operating efficiency and purity of the waters redirected into our lakes and rivers. We therefore look forward to greatly increasing our North American market share in the coming years. Our technologies also offer a growing potential on international markets, where recovery and reuse of processed water becomes critically important.

Europe and International

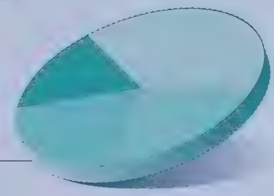
In Europe, most of our revenues came from the chemicals industry and aftermarket services for the mining and minerals industry last year. In fact, we posted a solid gain in spare parts sales. Like North America, Europe is a mature market, but some niches such as industrial wastewater treatment equipment are growing. As the technologies differ from those used in North America, we are currently studying various alternatives to eventually develop this market.

On the international scene, GL&V/Dorr-Oliver is especially banking on the mining and minerals industry in South America, Asia, South Africa and Australia. A large number of Dorr-Oliver machines are in operation in Brazil and Chile, where major investments will be carried out between now and 2005. Brazil, for instance, has initiated large-scale exploration programs that will make the country a major copper producer between 2003 and 2005. It also intends to invest US$1.4 billion in various projects that will triple its nickel production capacity by 2003. We are preparing for this expansion by training skillful professionals in Brazil, who will be backed by technical teams based in Canada and Germany, dedicated to developing and managing products for our various international markets.

Major expansion projects are planned in China as well within the next two to three years. To sustain an annual growth in demand for aluminum of about 10%, China has notably launched a second modernization phase for its alumina production infrastructure, which will boost capacity by 50% upon the finalization, by 2004, of the country's six alumina producers' expansion projects. During the last decade, GL&V/Dorr-Oliver has supplied equipment for all six alumina refineries in China. Our reputation for top-quality products and services should position us favourably for such investments. Last year, we were awarded contracts worth several million dollars to deliver dewaxing units to the Chinese lubricating oils sector, as well as thickeners and filters to the alumina industry.

Geographic Distribution of Revenues
(in %)

United States and South America	Canada	Europe	Others
38.7%	21.7%	24.1%	15.5%



South Africa holds considerable potential for the Process Group, given its extensive mineral resources and well-developed mining industry. Fiscal 2002 marked our second year of business in this region within GL&V's mixed market concept. Our sales grew substantially over the past year and these operations are now profitable. Our initial objective was to recapture a portion of the spare parts business of Dorr-Oliver's installed base of equipment. More recently, we tackled capital spending projects, mostly for the mining industry which is the driving force of this region's economy. We notably installed several filters and thickeners in gold and platinum mines.

As for Australia, New Zealand and New Caledonia, the market experienced a downturn last year. However, the recent announcement of several mid-sized and large-scale projects – mostly in the nickel and cobalt sectors – bode favourably for GL&V.

We expect a modest sales increase for 2002-2003, given the gradual economic recovery. However, we aim to further improve our profitability by building upon internal excellence and investing in new management information technologies. We are confident about the Process Group's short and long-term future, as our diversified base in several countries and industrial sectors will remain a key stability factor and continue to drive our growth. We can count on a team of highly qualified professionals who are committed to raising GL&V/Dorr-Oliver's profile as a world-class supplier of liquid/solid separation technologies.

Greg Bruyea
President,
Process Group
June 2002

GL&V Manufacturing

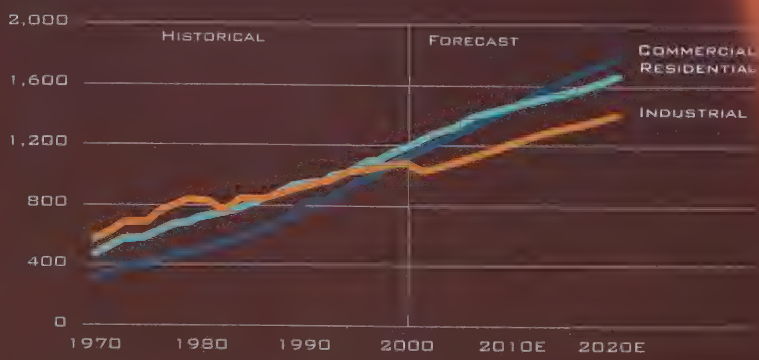
Owing to the quality and flexibility of its outsourcing services and its competitive cost structure, GL&V Manufacturing not only succeeded in protecting itself from market fluctuations, but also posted solid growth by forging stable relationships with several large customers, including GL&V's Pulp and Paper Group and Process Group.

In the pulp and paper industry, our main focus was to establish long-term servicing agreements in maintenance, repair and spare parts. Revenues derived from such agreements rose 50% in 2001-2002. In cooperation with the Pulp and Paper Group, we also succeeded in recapturing some markets abandoned by Beloit.

GL&V Manufacturing achieved its strongest growth in the energy sector, which accounted for 50% of our revenues last year. Working for the cogeneration division of an international corporation, we delivered condensers and heat exchangers to a dozen power plants located mostly in the United States. We supplied hydroelectric components to another major customer, some of them designed for power stations in Chile and India.

However, the energy industry in the United States is currently witnessing a sharp downturn. Combined with the recession, overcapacity in some regions and falling oil prices have caused electricity prices to plummet, leading to the cancellation or postponement of most of the capital spending projects planned in this sector. According to the *Global Power Report*, producers' profitability should start to improve toward mid-2003, fuelled by the economic recovery and the reduction in capacity.

Historical and Forecasted Annual Sales of Electricity by Sector in the United States (1970-2020)
(in billions of kilowatt/hours)



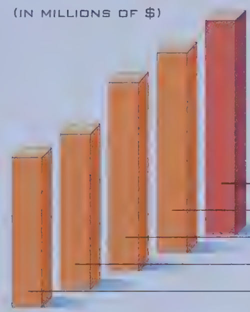
Source: Energy Information Administration; Annual Energy Outlook 2002

GL&V MANUFACTURING

The next two years will therefore be a transition period in this market, but long-term trends remain favourable. Driven by demographic growth and commercial and industrial development, U.S. electricity consumption will continue to rise by about 2% annually. Since nearly two-thirds of power generation facilities are more than 20 years old in the United States, and almost one-third are nearing the end of their useful lives, infrastructures will have to be upgraded. According to some experts, that could lead to an annual increase of 10% to 15% in investments within a few years. For instance, the *National Power Association* forecasts that hydroelectric generation capacity could grow by 27% between now and 2020. What's more, our major energy customers have development plans abroad, which could afford a promising opportunity for GL&V Manufacturing as a subcontractor.

Among our objectives for 2003, we will strive to further diversify our industrial markets. With that in mind, we recently invested close to $1.0 million to purchase equipment that will enhance our flexibility.

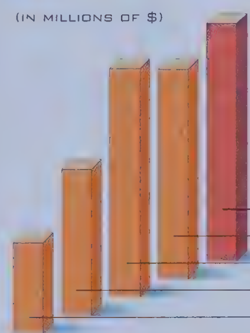
(IN MILLIONS OF $)



REVENUES

2002	30.8
2001	28.6
2000	27.1
1999	22.3
1998	21.6

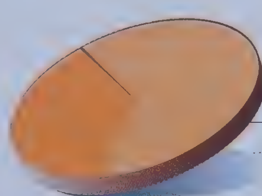
(IN MILLIONS OF $)



EBITDA

2002	3.4
2001	3.1
2000	3.2
1999	2.1
1998	1.3

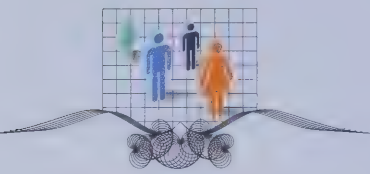
GEOGRAPHIC DISTRIBUTION OF REVENUES (IN %)



UNITED STATES AND SOUTH AMERICA	CANADA	OTHERS
61.4%	38.3%	0.3%

IN THE COMING YEARS, GL&V MANUFACTURING WILL CONTINUE TO FOCUS ON BUILDING LONG-TERM RELATIONSHIPS WITH LEADERS IN ITS TARGET MARKETS. TO THAT END, IT CAN RELY ON ITS VERSATILE TEAM SO AS TO ADAPT ITS EQUIPMENT AND SERVICES TO CUSTOMERS' SPECIFIC NEEDS.

Michel Gélinas
Vice-President and Genaral Manager,
GL&V Manufacturing — Division of
GL&V Canada Inc.
June 2002



Social Report

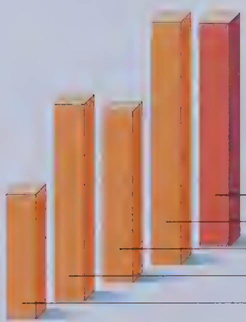
GL&V's solid financial performance in the last fiscal year attests to the solidity of an organization that draws and builds upon the creativity and initiative of its members.

As an organization, GL&V strives to be competitive and profitable, service-driven and responsive to customer needs and market trends. These corporate values are reflected in a decentralized operational structure where every unit and employee are responsible for the achievement of the Company's strategic objectives, the quality of customer relationships, and cost control.

In support of its vision, GL&V promotes an open management style based on consultation, delegation and communication. In periods as demanding as in 2001-2002, when we had to reduce our staff by 14%, a continuous and transparent flow of internal communications becomes especially critical to ensure that all employees are informed of the challenges faced by the Company, its objectives, the measures to be taken and the ensuing results.

The importance we place on communication largely accounts for the success of the restructuring carried out last year. Despite considerable pressures on personnel, motivation remained excellent among employees, and we even saw an increase in their flexibility, versatility and determination to innovate by proposing new approaches and more cost-effective ways of doing business.

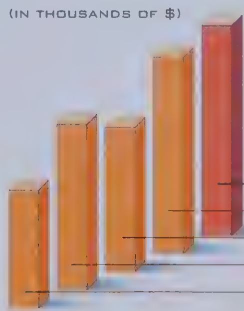
(IN THOUSANDS OF $)



Sales by Employee

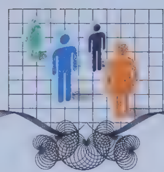
2002	274.7
2001	286.9
2000	209.7
1999	242.0
1998	153.9

(IN THOUSANDS OF $)



Normalized EBITDA by Employee

2002	25.8
2001	24.1
2000	17.7
1999	20.4
1998	14.7



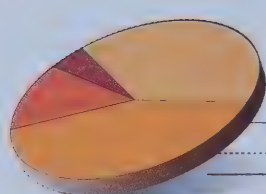
Social Report

In fact, a key factor underlying GL&V's attractiveness as an employer is the stimulating work environment and the sense of belonging that flourish in an organization where employees are encouraged to use their creativity and show initiative, which makes them feel they contribute directly to the Company's success. This is borne out by our very low voluntary separation rate, representing less than 3% of our staff annually.

Therefore, GL&V has successfully built up a skilled, experienced, dynamic and stable workforce. Our employees average more than 13 years of service with us, and their balanced breakdown into different age groups provides GL&V with the benefit of both experience, and succession for the future.

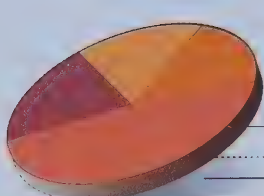
To secure the stability and professional development of its human resources, GL&V has drawn up training programs tailored for the needs of each of its subsidiaries and divisions, while preparing for an optimal implementation of its succession plan.

Geographical Breakdown of Staff
(in %)



Canada	United States	Europe	Others
39.1%	43.4%	13.1%	4.4%

Breakdown of Staff by Occupation
(in %)



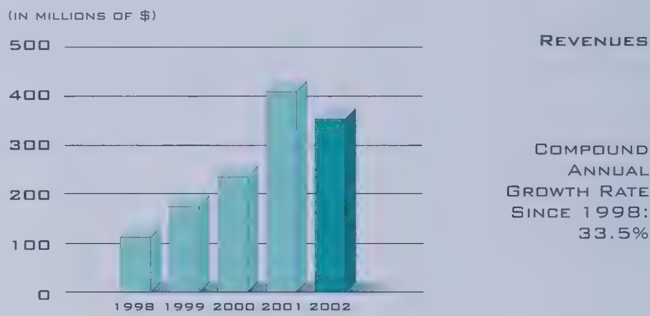
Engineering and Application Engineering	Sales and marketing	Manufacturing	I.T. and Administration
16.5%	17.6%	47.1%	18.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS

OF OPERATING RESULTS AND FINANCIAL POSITION

IN 2001-2002, GL&V ACHIEVED THE HIGHEST NET EARNINGS IN ITS HISTORY, EXCLUDING THE NON-RECURRING COSTS ASSOCIATED WITH RESTRUCTURING PART OF ITS BUSINESS, AND ITS SECOND BEST FINANCIAL PERFORMANCE DESPITE THESE EXPENSES.

OPERATING RESULTS



Sales

For the fiscal year ended March 31, 2002, GL&V's **sales** totalled $352.6 million, down 13.5% from $407.5 million in 2001. This decline is attributable to the following factors:

- Difficult market conditions in the pulp and paper industry, especially in the United States, pushed down the **Pulp and Paper Group**'s sales by 16.7% or $48.2 million, from $289.0 million in 2001 to $240.8 million in 2002.

- The **Process Group** sustained a decrease of 9.8% or $11.8 million in its sales, which amounted to $107.8 million compared with $119.6 million a year earlier. While experiencing a slowdown in capital spending by the mining and minerals industry, the Process Group grew its aftermarket business in North America, Europe and around the world. It also increased its share of the U.S. municipal and industrial environment market and was awarded several capital expenditure contracts for various industries abroad.

- For its part, **GL&V Manufacturing** achieved a $2.2 million or 7.8% increase in sales, driven by its development in the energy infrastructures sector in the United States and the conclusion of long-term servicing agreements with internal and external customers of GL&V. Its sales rose from $28.6 million to $30.8 million.

It should be pointed out that although lower than the previous year, GL&V's revenues held fairly steady from one quarter to the next during fiscal 2002.

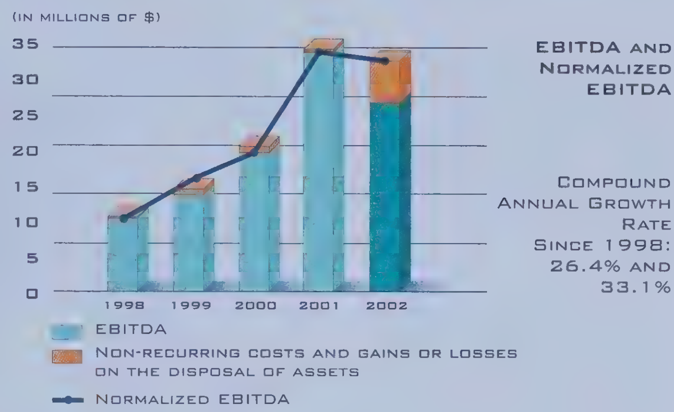
In terms of geographical distribution, 79.3% of last year's revenues came from customers outside Canada. Sales to U.S. and South American customers accounted for 53.4% of our business volume, down 19.5% from 2001. Revenues from Canadian customers decreased by 16.4% to account for 20.7% of GL&V's consolidated revenues.

Finally, our European customers and those operating in other geographical markets together generated 25.9% of sales, up 6.0% from the previous year.

Profitability

The **gross profit** amounted to $94.0 million, down 2.5% from $96.4 million in 2001. Our gross profit margin improved significantly, from 23.7% in 2001 to 26.7% in the last fiscal year. This can be attributed primarily to the greater contribution of the aftermarket, which accounted for 52.1% of our annual revenues.

Normalized EBITDA (earnings before interest, income taxes, depreciation, amortization, non-recurring costs, gains or losses on the disposal of assets and non-controlling interest) totalled $33.1 million, compared with $34.3 million the prior year.



The normalized profit margin thus reached 9.4% versus 8.4% in 2001, due to the higher gross margin and tight control over operating costs. Total selling, administrative and R&D expenses remained stable in comparison with the previous year. However, they were lowered by $4.4 million or 21.0% in the fourth quarter, following the rationalization carried out by the Company.

GL&V incurred **non-recurring costs** of $4.9 million during the last fiscal year (including $3.1 million in the fourth quarter). These costs break down as follows:

- To adapt our organization to the weak market conditions, we streamlined and reorganized our Pulp and Paper Group in North America, thereby incurring total costs of $1.8 million, consisting mainly of severance pay.
- In the fourth quarter, GL&V also decided to write off various assets connected with the joint venture created previously with the Coinpasa/Enertec Group in Europe, which was terminated in October 2001. This write-off brought non-recurring costs for this unit to $2.1 million for the entire fiscal year.
- Finally, the Process Group finished restructuring the operations acquired in 1999 from Dorr-Oliver, resulting in non-recurring costs of $1.0 million in 2001-2002, consisting mainly of severance pay.

In addition, GL&V incurred a loss of approximately $1.1 million on the disposal of various assets in 2002, whereas it had recorded a gain of $0.6 million on such disposals a year earlier.

Accounting for these items, EBITDA for fiscal 2002 amounted to $27.1 million for a profit margin of 7.7%, compared with $34.8 million and a 8.5% margin in 2001. The operating profitability of our three groups evolved as follows:

- The **Pulp and Paper Group**'s EBITDA declined by almost half before non-recurring costs, and by nearly two-thirds including the latter, due to adverse market conditions. Earnings before provision for income taxes, financial expenses and minority interest (EBIT) for this group fell from $21.8 million to $4.4 million.
- Despite lower sales, the **Process Group** achieved a solid performance, increasing its EBITDA by 32.5% before non-recurring costs, and by 20.9% including the latter. EBIT rose 30.8% to $9.0 million.
- **GL&V Manufacturing** also grew its EBITDA significantly, by some 9.5%, while its EBIT rose 5.8%.

GL&V benefited from a 64.1% or $3.7 million reduction in **financial expenses**, which fell from $5.7 million to $2.1 million, as a result of a decrease in total net indebtedness, lower interest rates and exchange gains totalling approximately $1.5 million. **Depreciation and amortization expenses**, which are included in the cost of contracts and goods sold, were comparable to those 2001, i.e. $8.0 million. The effective **tax rate** went from 30.3% in 2001 to 27.4% in 2002, due to the Company's international corporate structure and a different breakdown of world revenues.

GL&V posted **net earnings** of $12.9 million, compared with $15.2 million in the previous fiscal year. Despite non-recurring costs, the Company delivered a 17.3% return on shareholders' equity and maintained an equivalent net profit margin to 2001, at 3.7%.

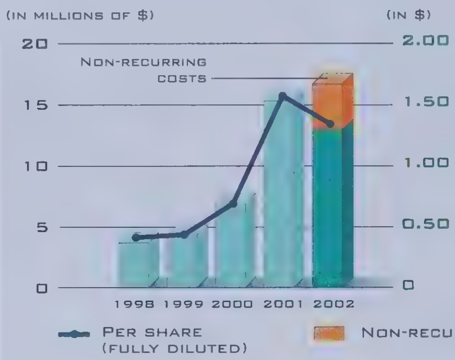
Non-recurring costs had a $3.7 million impact (after income taxes) on net earnings for 2002. Without these expenses, our net earnings would have been 16,6 million representing a 22,3% return on equity, and would have exceeded the record high achieved in 2001.

For information purposes, the after-tax impact of the non-recurring costs on the fourth quarter's net earnings amounted to $2.4 million, without which the Company would have achieved a comparable performance to the same quarter in 2001.

Basic earnings per share amounted to $1.37 on a weighted average of 9.4 million shares outstanding in 2002, compared with $1.60 on 9.5 million shares in 2001. Without the non-recurring costs, basic earnings per share would have totalled $1.76 in 2002, including $0.47 in the fourth quarter.

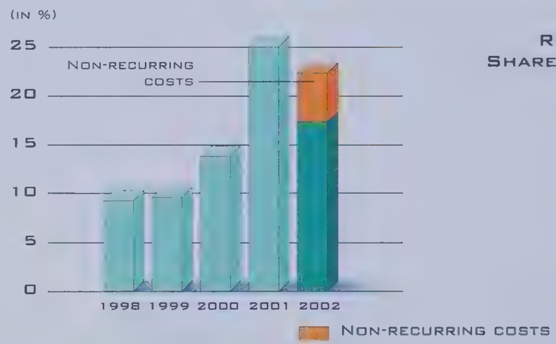
Fully diluted earnings per share stood at $1.34, versus $1.57 in the prior year. Without the non-recurring costs, fully diluted earnings per share would have amounted to $1.72 in 2002, including $0.46 in the fourth quarter. (It should be noted that in April 2001, the Company retroactively adopted the new recommendations issued by the Canadian Institute of Chartered Accountants ("CICA") with respect to earnings per share. The application of these new recommendations increased fully diluted earnings per share for the 2001 fiscal year by $0.10.)

NET EARNINGS AND FULLY DILUTED EARNINGS PER SHARE



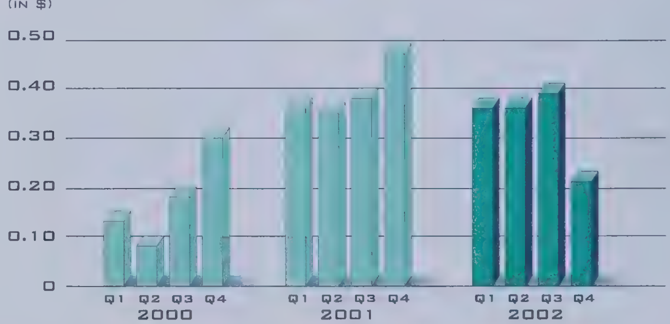
COMPOUND ANNUAL GROWTH RATES SINCE 1998: 37.1% AND 35.3%

RETURN ON SHAREHOLDERS' EQUITY



QUARTERLY FULLY DILUTED EARNINGS PER SHARE

(IN $)



PRINCIPAL QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN THOUSANDS OF $, EXCEPT PER-SHARE AMOUNTS)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal year ended March 31, 2002				
Revenues	95,740	85,227	86,873	84,788
Net earnings	3,644	3,520	3,755	2,001
• per share, basic	0.38	0.37	0.40	0.21
• per share, fully diluted	0.38	0.36	0.39	0.21
Cash flows from operations	5,324	5,648	8,658	11,687
• per share, basic	0.56	0.60	0.93	1.25
• per share, fully diluted	0.55	0.58	0.90	1.21
Fiscal year ended March 31, 2001				
Revenues	104,171	101,380	95,374	106,540
Net earnings	3,330	3,502	3,734	4,677
• per share, basic	0.37	0.36	0.39	0.48
• per share, fully diluted	0.36	0.35	0.38	0.47
Cash flows from operations	5,649	5,572	5,223	2,678
• per share, basic	0.62	0.57	0.54	0.28
• per share, fully diluted	0.62	0.56	0.53	0.27

Principal Cash Flows

During the last fiscal year, **cash flows** from operations rose 63.8% to $31.3 million or $3.32 per share ($3.24 fully diluted), compared with $19.1 million or $2.01 per share ($1.97 fully diluted) in the previous year. The net change in non-cash operating working capital balances used cash resources of $12.0 million compared with a cash inflow of $0.2 million in 2001, due mainly to the higher level of contracts in progress in relation to proportional billing as at March 31, 2002. Consequently, operating activities in fiscal 2002 provided **available cash resources** of $19.3 million, the same as the previous year.

The year's second major cash inflow was the $4.7 million proceed from the **disposal of a building** in Hazleton, Pennsylvania, by the Process Group.

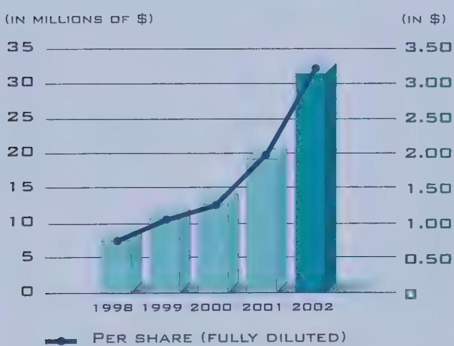
With respect to **financing activities**, as at February 14, 2002, we refinanced most of our long-term debt with two new term loans totalling $61.0 million. We also repaid approximately $2.3 million in various long-term debts during fiscal 2002.

GL&V issued 66,000 Class "A" subordinate voting shares for a consideration of $0.3 million under its stock option plan. Following the renewal of our normal course issuer bid, we also redeemed, for cancellation, 238,000 Class "A" subordinate voting shares and 61,000 Class "B" multiple voting shares for a total consideration of $2.4 million.

Over the past two fiscal years, GL&V has redeemed more than 455,000 shares, primarily Class "A" subordinate voting shares. In the opinion of the Board of Directors, these purchases represent an appropriate use of the Company's available funds. Finally, in the third quarter of last year, GL&V paid a special dividend of $0.20 per share on its Class "A" subordinate voting shares and Class "B" multiple voting shares, for a total consideration of $1.9 million. Financing activities therefore used total cash resources of $6.2 million in 2002.

Investing activities used cash resources of $3.1 million, net of the aforementioned proceeds from the disposal of a building and the divestiture of various investments. We invested $5.1 million in the purchase of new capital assets, compared with $8.9 million a year ago. We also invested $2.5 million in other assets, mostly deferred expenses related to refinancing our debt and deferred R&D expenses associated to approximately ten product development and improvement projects. Moreover, in the first quarter, GL&V acquired for $0.9 million a Calgary, Alberta based business specializing in the manufacture of spare parts for pulp washers.

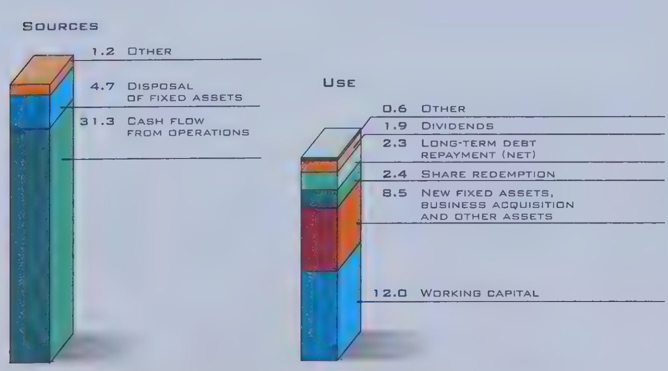
The principal **cash inflows and outflows** described above provided net cash resources of $9.5 million, raising our available cash from $15.8 million as at March 31, 2001 to $25.2 million at the close of the last fiscal year.

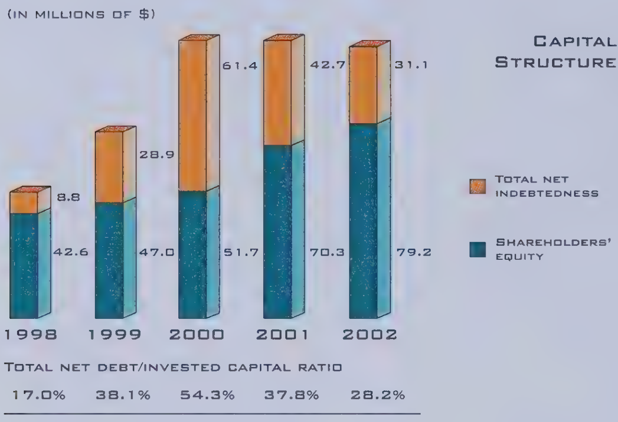


Cash Flow from Operations and Fully Diluted Cash Flow Per Share

Compound Annual Growth Rates Since 1998: 43.4% and 44.2%

Sources and Use of Funds
(in millions of $)





Financial Position

GL&V further improved its financial position in the last fiscal year. As at March 31, 2002, **working capital** totalled $82.4 million for a current ratio of 2.3:1, up from $55.7 million for a 1.6:1 ratio a year earlier. Besides the increase in cash, this growth is partly attributable to the changes in the balance of contracts in progress and proportional billing at the end of the two fiscal years in question. The decline in accounts receivable and accounts payable can be mostly explained by the divestiture of various assets of the European joint venture, coupled with better management of treasury accounts. The net amount of **capital assets** went from $58.9 million to $52.3 million as a result of the disposal of a building and due to the fact that the value of the capital assets purchased in 2002 was less than depreciation and amortization. These factors were the main reasons behind the decline in **total assets**, which went from $231.2 million to $220.5 million.

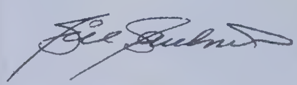
Shareholders' equity rose 12.6% to $79.2 million or $8.44 per share as at March 31, 2002. **Long-term debt** (including the current portion) was reduced by $2.3 million or 4.0%. Deducting available cash, total net indebtedness was lowered by $11.6 million or 27.2% to $31.1 million as at March 31, 2002, from $42.7 million a year earlier. The **total net indebtedness** to invested capital ratio thereby improved from 37.8% to 28.2% between March 31, 2001, and the same date in 2002.

Outlook, Requirements and Sources of Funds in 2002-2003

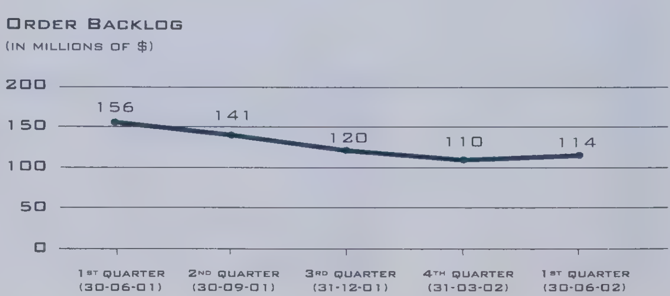
As at March 31, 2002, GL&V's backlog totalled $110.0 million. However, after three consecutive quarters of declining orders, our backlog slightly grew in the first quarter of the new fiscal year, to stand at $114.0 million as at June 30, 2002. Although there are signs of a recovery in most of our markets, we remain cautious about our growth outlook for the current fiscal year because conditions are still difficult in the pulp and paper industry. Despite the pressure this situation continues to put on our sales, we aim to maintain or even improve our profit margins thanks to our increased presence in the aftermarket, the rationalization measures implemented in the last few quarters, and the sustained efforts by all our groups to lower costs and improve their return on assets.

For fiscal 2003, we intend to keep our new capital expenditures at the minimum level needed to pursue our ongoing operations and to continue repaying our long-term debt. We also plan to carry on the share-redemption program under our normal course issuer bid. With its available cash and cash flows from operations, GL&V will be able to cover its regular funding requirements in 2002-2003. Moreover, as at March 31, 2002, the Company had unused credit facilities of Cdn$15.0 million and US$10.0 million. Our financial health and flexibility therefore allow us to pursue our expansion by actively seeking strategic acquisitions.

As for dividends, the policy of GL&V's Board of Directors is to assess every year the relevance of paying a dividend in light of the Company's investment and acquisition projects, financial ratio objectives and available cash.



William Saulnier
Executive Vice-President
and Chief Financial Officer
June 2002



Management's Report

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal control.

The external auditors, KPMG LLP conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

Laurent Verreault
President and Chief Executive Officer

William Saulnier
Executive Vice-President and Chief Financial Officer
Trois-Rivières, May 17, 2002

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Groupe Laperrière & Verreault Inc. as at March 31, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Montréal, Canada
May 17, 2002

Consolidated Statements of Earnings

Years ended March 31, 2002 and 2001 (in thousands of dollars, except for per share amounts)

	2002	2001
Revenues	**$ 352,628**	$ 407,465
Cost of contracts and goods sold	**258,590**	311,023
	94,038	96,442
Selling expenses	**36,126**	34,436
Administrative expenses	**30,614**	30,742
Financial expenses	**2,058**	5,737
Research and development costs	**3,324**	4,311
	72,122	75,226
Earnings before the following items	**21,916**	21,216
Non-recurring expenses (note 16)	**4,908**	—
Earnings before provision for income taxes and non-controlling interest	**17,008**	21,216
Provision for income taxes (note 7):		
Current	**(5,279)**	9,338
Future	**9,940**	(2,913)
	4,661	6,425
Earnings before non-controlling interest	**12,347**	14,791
Non-controlling interest	**573**	452
Net earnings	**$ 12,920**	$ 15,243
Earnings per share (notes 2 (a) and 17):		
Basic:		
Before goodwill amortization	**$ 1.45**	$ 1.65
Net earnings	**$ 1.37**	$ 1.60
Fully diluted:		
Before goodwill amortization	**$ 1.42**	$ 1.62
Net earnings	**$ 1.34**	$ 1.57
Weighted average number of participating shares outstanding (in thousands)	**9,421**	9,532

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended March 31, 2002 and 2001 (in thousands of dollars)

	2002	2001
Retained earnings, beginning of year:		
As previously reported	**$ 44,570**	$ 31,821
Restatement of retained earnings pertaining to the application of Section 3465 of the CICA Handbook (note 2 (c))	**—**	(809)
As restated	**44,570**	31,012
Net earnings	**12,920**	15,243
	57,490	46,255
Dividends	**1,874**	967
Premium on share redemptions (note 13)	**1,466**	607
Debenture issue expenses pursuant to conversion of Class "A" subordinate shares	**—**	111
	$ 3,340	1,685
Retained earnings, end of year	**$ 54,150**	$ 44,570

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2002 and 2001 (in thousands of dollars)

	2002	2001
Cash flows from operating activities:		
Net earnings	**$ 12,920**	$ 15,243
Adjustments for non-cash items (note 18)	**18,397**	3,879
Net change in non-cash working capital balances (note 19)	**(12,011)**	175
	19,306	19,297
Cash flows used for financing activities:		
Issue of long-term debt	**61,015**	—
Repayment of long-term debt	**(63,328)**	(16,101)
Redemption of debentures	**—**	(105)
Issue of Class "A" subordinate shares	**310**	43
Redemption of shares	**(2,356)**	(1,083)
Dividends	**(1,874)**	(967)
	(6,233)	(18,213)
Cash flows used for investing activities:		
Net change in temporary investments	**108**	(140)
Acquisition of long-term investments	**(153)**	(563)
Proceeds on disposal of long-term investments	**810**	1,005
Purchase of fixed assets	**(5,057)**	(8,899)
Proceeds on disposal of fixed assets	**4,729**	6,570
Net change in other assets	**(2,542)**	6,479
Business acquisitions (note 20)	**(891)**	(6,212)
Disposal of businesses (note 20)	**(96)**	1,011
	(3,092)	(749)
Effect of translation adjustments on cash and cash equivalents	**(521)**	(365)
Net increase (decrease) in cash and cash equivalents	**9,460**	(30)
Cash and cash equivalents, beginning of year	**15,763**	15,793
Cash and cash equivalents, end of year	**$ 25,223**	$ 15,763
Supplemental information:		
Net interest paid	**$ 3,052**	$ 5 303
Income taxes paid (recovered)	**(128)**	10 637

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

March 31, 2002 and 2001 (in thousands of dollars)

	2002	2001
Assets		
Current assets:		
Cash	$ 16,578	$ 3,991
Temporary investments, at cost (note 3)	8,677	11,912
Accounts receivable (note 4)	58,311	83,462
Income taxes recoverable	3,047	—
Inventories (note 5)	33,638	35,433
Contracts in progress, less progress billings (note 6)	9,189	—
Prepaid expenses	3,140	2,090
Future income taxes (note 7)	11,676	9,057
	144,256	145,945
Long-term investments (note 8)	5,176	5,669
Fixed assets, net (note 9)	52,328	58,857
Other assets (note 10)	18,745	20,739
	$ 220,505	$ 231,210
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 59,599	$ 78,063
Income taxes payable	—	2,100
Progress billings in excess of contracts in progress (note 6)	—	7,366
Future income taxes (note 7)	452	1,679
Current portion of long-term debt (note 11)	1,779	1,048
	61,830	90,256
Long-term debt (note 11)	54,599	57,588
Other liabilities (note 12)	8,704	7,539
Future income taxes (note 7)	16,192	2,406
Non-controlling interest	—	3,106
Shareholders' equity:		
Share capital (note 13)	25,195	25,775
Retained earnings	54,150	44,570
Cumulative translation adjustment	(165)	(30)
	79,180	70,315
Commitments (note 23)		
Contingencies (note 24)		
	$ 220,505	$ 231,210

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Laurent Verreault
Director

William Saulnier
Director

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

The Company, whose head office is in Trois-Rivières, Québec, was incorporated under Part 1A of the Companies Act (Québec). Its main activities are to design, manufacture, rebuild, assemble and install equipment used by various industries.

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of the Company and all of its Canadian and foreign subsidiaries. These subsidiaries are fully owned except for:

- GL&V - Fabrication Inc. – 65% owned until December 2000 and 100% thereafter;
- GL&V - Pulp and Paper Europe Group APS – 50% owned until June 2001 and 100% thereafter. The accounts of this subsidiary have always been consolidated since the Company held effective control of its operations.

(b) Cash and cash equivalents:

Cash equivalents are restricted to investments having an initial term of three months or less from the acquisition date and are presented at cost which approximates market value.

(c) Foreign currency translation:

The financial statements of self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Differences resulting from this translation are deferred and recorded under a separate heading of shareholders' equity and are only included in earnings when there has been a reduction in the investment in these foreign operations.

Transactions in foreign currencies are translated using the temporal method. Exchange gains and losses are included in earnings, except for unrealized gains and losses resulting from the translation of long-term monetary items which are deferred and amortized over the remaining term of the related item.

(d) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the amounts of the assets and liabilities reported and the related revenue and expense items. The material sections of the financial statements which require the use of estimates include the determination of future costs related to contracts in progress, warranty and environmental provisions, the useful life of assets for the purposes of computing amortization and the evaluation of the impairment of assets, provision for income taxes and the determination of the fair value of financial instruments. Consequently, it is possible that changes in future conditions in the near term could require a change in the recognized amount.

(e) Derivative financial instruments:

The Company carries on its operations principally in the Americas and Europe.

The Company is exposed to market risks relating to currency fluctuations. To reduce these risks, it uses derivative financial instruments, such as forward exchange contracts. It does not hold or issue any derivative financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to normal credit terms and conditions, financial controls and management and risk monitoring procedures. In management's opinion, none of the parties to the existing financial instruments is expected to default on their obligations since they are large multinational financial institutions.

Gains and losses on forward exchange contracts used to hedge future income are recorded in the statement of earnings in the same year and under the same heading as the revenues arising from the corresponding positions.

(f) Inventories:

Raw materials are recorded at the lower of average cost and replacement cost. Inventories of finished goods are recorded at the lower of average cost and net realizable value.

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(g) Contract revenue and contracts in progress:

The Company uses the completed contract method to record contract revenue other than revenue from long-term contracts for which it uses the percentage-of-completion method. The percentage of completion is determined using the cost-to-cost method, which consists in comparing the costs incurred over total expected costs according to the Company's estimates. The full amount of losses is recorded once it can be estimated. Contracts in progress are valued considering direct labour, materials and overhead costs plus any estimated gain on such costs. Progress billings are presented as a reduction of the costs incurred on the contracts in progress.

(h) Long-term investments:

Long-term investments are carried at cost or at equity value for the company subject to significant influence. In the event of a decline in value which is considered to be other than temporary, the investment is written down to its estimated value and the loss is charged to earnings.

(i) Fixed assets:

Fixed assets are recorded at cost. Amortization is provided for using the straight-line method over the following periods:

Asset	Period
Landscaping, paving and fences	10 years
Buildings	20 years
Equipment, furniture and fixtures	5 to 10 years
Molds	10 years
Experimental equipment	20 years
Computer hardware and software	3 and 10 years
Automotive equipment	3 years
Leasehold improvements	Term of leases

(j) Deferred government assistance and investment tax credits:

Deferred government assistance and investment tax credits relating to fixed assets and development costs are recorded using the cost reduction method and amortized on the same basis as the related assets.

(k) Other assets:

Goodwill, which represents the excess of the cost of acquisition over the fair value of the net assets acquired, is amortized on a straight-line basis over a period which does not exceed 20 years. It is evaluated periodically for any impairment in value. This consists of a review of all the facts and circumstances which have contributed to a decline in value. Any permanent impairment in the carrying value of the recorded goodwill, based on expected future cash flows, is charged to earnings.

Intellectual property and patents are recorded at cost and are amortized on a straight-line basis over a period of 10 years.

Research and development expenses include costs relating to specific projects, net of income tax credits, which, in the Company's opinion, have a specific market in the future. These expenses are deferred and amortized on a straight-line basis over a period of three to five years. All other research and development expenses are expensed in the year they are incurred.

Deferred financing costs are recorded at cost and amortized on a straight-line basis over the term of the financing agreement. Amortization is included in interest expense.

(l) Pension plans:

The Company maintains defined benefit pension plans which cover certain employees.

Under the provisions of the defined benefit pension plans, employees will receive pensions based on length of service, annual salary and average earnings. The cost of the pension plans is determined according to actuarial valuations.

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(m) Stock option plans:

The Company has granted stock options described in note 14. No expense is recognized at the time the stock options are granted to the employees. Payments received in connection with options exercised are credited to share capital.

2. CHANGE IN ACCOUNTING POLICY:

(a) Earnings per share:

In April 2001, the Company retroactively applied the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") with regard to earnings per share which require the presentation of the basic and diluted earnings per share using the share repurchase method to reflect the dilutive impact of outstanding stock options. The application of these new recommendations increased the diluted earnings per share by $0.10 for the year ended March 31, 2001.

(b) Business combinations, goodwill and other intangible assets:

In August 2001, the CICA issued Section 1581, Business Combinations, and Section 3062, Goodwill and Other Intangible Assets. The Company has adopted the recommendations of these new sections of the CICA Handbook which apply to business combinations initiated after June 30, 2001 and to business combinations consummated after June 30, 2001 that are accounted for in accordance with the purchase method. In accordance with Section 3062, goodwill and intangible assets with indefinite useful lives are not amortized and other identified intangible assets are amortized.

For purchase business combinations consummated on or before June 30, 2001, the accounting under Section 1580, Business Combinations, and under Section 3060, Capital Assets, has been applied. Under those sections, goodwill and separately identifiable intangibles with an indefinite useful life are recorded and amortized until the Company adopts Section 3062, the fiscal year beginning on April 1, 2002.

(c) Future income taxes:

On April 1, 2001, the Company adopted the CICA new standards on accounting for income taxes. These standards require a change from the deferred method of accounting for future income taxes to the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period during which substantive enactment or enactment occurs.

The Company has adopted these standards retroactively without restatement of the 2001 comparative figures. The cumulative effect of this change in accounting policy results in a decrease of $809,000 in the opening retained earnings on April 1, 2000.

3. TEMPORARY INVESTMENTS:

	2002	2001
Term deposits, 1.65% to 3.50% (3.96% to 9% in 2001) maturing at different dates until October 15, 2002	**$ 8,677**	$ 11,850
Other	**—**	62
	$ 8,677	$ 11,912

4. ACCOUNTS RECEIVABLE:

	2002	2001
Trade	**$ 52,721**	$ 73,856
Holdbacks on contracts	**1,942**	2,764
Other	**3,198**	6,294
Current portion of long-term investments	**450**	548
	$ 58,311	$ 83,462

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

4. ACCOUNTS RECEIVABLE (CONTINUED):

The Company operates mainly in the Americas and Europe. Approximately 57% of the trade accounts (56% in 2001) were related to the pulp and paper industry. The Company establishes a provision for doubtful accounts to cover the specific risk of its customers.

5. INVENTORIES:

	2002	2001
Raw materials	**$ 8,048**	$ 10,554
Finished goods	**25,590**	24,879
	$ 33,638	$ 35,433

6. CONTRACTS IN PROGRESS AND PROGRESS BILLINGS:

	2002	2001
Contracts in progress	**$ 25,285**	$ 70,637
Progress billings	**(16,096)**	(78,003)
	$ 9,189	$ (7,366)

7. PROVISION FOR INCOME TAXES:

The following table reconciles the difference between the domestic statutory tax rate and the effective tax rate used by the Company in the determination of its net earnings:

	2002	2001
Domestic statutory tax rate	**38.99%**	40.58%
Impact of foreign tax rate differences	**(5.07)**	(4.61)
International tax rates	**33.92**	35.97
Increase (decrease) resulting from:		
Manufacturing and processing activities	**(4.42)**	(0.92)
Permanent differences	**(2.80)**	(4.67)
Loss carryforwards not previously recorded	**(1.92)**	(1.32)
Other	**2.62**	1.22
	(6.52)	(5.69)
Effective tax rate	**27.40%**	30.28%

The tax effects of significant items comprising the Company's net future tax assets and liabilities are as follows:

	2002	2001
Future tax assets:		
Operating loss carryforwards	**$ 655**	$ 1,020
Obligation for future employee compensation	**923**	640
Undeductible provisions for tax purposes	**9,259**	8,354
Other	**839**	561
Gross future income tax assets	**11,676**	10,575
Future tax liabilities:		
Differences between book and tax bases of fixed assets	**12,999**	3,274
Other	**3,645**	2,329
Gross future tax liabilities	**16,644**	5,603
Net future tax assets (liabilities)	**(4,968)**	4,972
Less current portion of future income tax assets	**(11,676)**	(9,057)
Plus current portion of future income tax liabilities	**452**	1,679
Net future tax liabilities	**$ (16,192)**	$ (2,406)

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

7. PROVISION FOR INCOME TAXES (CONTINUED):

As at March 31, 2002, the Company had net operating loss carryforwards for income tax purposes of approximately $1,110,000 available to reduce future taxable earnings expiring from 2007 to 2009 for which a future tax asset has been recognized. Furthermore, the Company had operating losses of $1,226,000 which can be carried forward indefinitely, for which a future tax asset was also recorded in the financial statements.

The Company has not recognized a future tax liability for the retained earnings of its subsidiaries in the current and prior years because the Company currently does not expect the retained earnings to become taxable in the foreseeable future. A future tax liability will be recognized when the Company expects that it will recover the retained earnings in a taxable manner, such as through a receipt of dividends or a sale of investments.

8. LONG-TERM INVESTMENTS:

	2002	2001
Investments in a company subject to significant influence, at equity value	**$ 1,691**	$ 1,691
Investments, at cost:		
Shares of private companies	**1,679**	1,679
3.66% mortgage, receivable in annual instalments of $193,694, principal and interest, until January 2003	**187**	367
Other	**2,069**	2,480
	5,626	6,217
Current portion	**450**	548
	$ 5,176	$ 5,669

9. FIXED ASSETS:

			2002
	Cost	Accumulated amortization	Net book value
Land	**$ 5,296**	**$ —**	**$ 5,296**
Landscaping, paving and fences	**198**	**111**	**87**
Buildings	**32,228**	**6,809**	**25,419**
Equipment, molds, furniture and fixtures	**34,339**	**17,584**	**16,755**
Experimental equipment	**2,786**	**1,976**	**810**
Computer hardware and software	**8,909**	**5,363**	**3,546**
Automotive equipment	**304**	**140**	**164**
Leasehold improvements	**1,758**	**1,081**	**677**
Deferred government assistance and investment tax credits	**(1,101)**	**(675)**	**(426)**
	$ 84,717	**$ 32,389**	**$ 52,328**

			2001
	Cost	Accumulated amortization	Net book value
Land	$ 6,172	$ —	$ 6,172
Landscaping, paving and fences	189	101	88
Buildings	43,539	13,806	29,733
Equipment, molds, furniture and fixtures	33,107	14,523	18,584
Experimental equipment	2,960	1,910	1,050
Computer hardware and software	6,998	4,308	2,690
Automotive equipment	1,246	852	394
Leasehold improvements	1,591	985	606
Deferred government assistance and investment tax credits	(1,101)	(641)	(460)
	$ 94,701	$ 35,844	$ 58,857

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

10. OTHER ASSETS:

	2002	2001
Goodwill	**$ 13,043**	$ 13,553
Intellectual property rights and patents	**1,925**	5,075
Development costs	**1,710**	779
Deferred financing costs	**2,065**	1,148
Other	**2**	184
	$ 18,745	$ 20,739

The cost and accumulated amortization of intellectual property rights amount to $2,211,589 and $671,067, respectively ($4,955,173 and $323,540 in 2001).

The cost and accumulated amortization of patents amount to $922,669 and $538,194, respectively ($890,000 and $446,335 in 2001).

11. LONG-TERM DEBT:

	2002	2001
Non-revolving term loan for a maximum amount of US$24,000,000, prime rate of an American financial institution plus 0.875% and/or LIBOR of 30, 60, 90 or 180 days plus 1.875%, repayable in semi-annual payments of US$355,000 in September 2002, US$710,000 in March 2003, US$755,000 from March 2004 to March 2006 and the remaining balance in September 2006 (a)	**$ 37,678**	$ –
Revolving term loan for a maximum amount of $28,500,000, Canadian or American prime rate of a Canadian financial institution plus 0.625% or rate of 30 to 180 days bankers' acceptances plus 1.250% and LIBOR of 30, 60, 90 or 180 days plus 1.250%, repayable in semi-annual payments of $2,080,000 from September 2002 to September 2004, and the remaining balance in March 2005 (a)	**18,474**	–
7% note payable, repayable in quarterly payments of US$12,867, principal only, maturing in 2005	**226**	304
Non-revolving term loan, prime rate of an American financial institution plus 1.3%, repaid in 2002	**–**	34,024
Bridge loan for a maximum amount of $36,000,000, interest rate of 30 to 180 days bankers' acceptances plus 1.25% and U.S. interest rate of a Canadian financial institution plus 1.0%, repaid in 2002	**–**	23,317
Mortgage loan, secured by fixed assets and by a hypothec on the universality of the equipment of a subsidiary, prime rate of a financial institution plus 0.75%, repaid in 2002	**–**	810
5.66% mortgage, secured by fixed assets, without repayment terms, repaid in 2002	**–**	181
	56,378	58,636
Current portion of long-term debt	**1,779**	1,048
	$ 54,599	$ 57,588

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

11. LONG-TERM DEBT (CONTINUED):

(a) In addition to the above term loans from various financial institutions, the Company benefited as at March 31, 2002 of credit facilities totaling CDN$15 million and US$10 million. These credit facilities bear interest at financial institutions rates plus 0.25% to 1.25% (0.5% in 2001) and are renewable in December 2002. The term loans and credit facilities are secured by a moveable and an immoveable hypothec on the universality of the Company's property and that of its subsidiaries. These credit agreements include certain financial covenants. Although cash and cash equivalents of the Company were $25,223,000, some of the covenants related to the credit facilities and the term loans were not met as of March 31, 2002. The Company has obtained a written waiver from the lenders that waives their rights arising from the violation of these covenants as at March 31, 2002. The term loans are therefore classified as long-term liabilities.

Principal repayments of long-term debt for the next five years are as follows:

2003	$ 1,779
2004	11,783
2005	11,647
2006	2,406
2007	28,763

12. OTHER LIABILITIES:

	2002	2001
Accrued pension liabilities	**$ 4,785**	$ 4,528
Other	**3,919**	3,011
	$ 8,704	$ 7,539

13. SHARE CAPITAL:

Authorized:

Unlimited number of shares without par value:

Class "B" multiple voting shares, carrying 10 votes per share, participating, convertible into Class "A" subordinate voting shares

Class "A" subordinate voting shares, participating

Preferred shares, issuable in series

Issued and fully paid:

	2002		2001	
	Number of shares	**Total**	Number of shares	Total
Class "B" shares				
Outstanding, beginning of year	**3,569,282**	**$ 5,630**	3,604,855	$ 5,685
Share redemption for cancellation	**(61,000)**	**(96)**	(9,200)	(14)
Conversion of Class "B" shares into Class "A" shares	**(932,672)**	**(1,472)**	(26,373)	(41)
Outstanding, end of year	**2,575,610**	**$ 4,062**	3,569,282	$ 5,630
Class "A" subordinate voting shares				
Outstanding, beginning of year	**6,042,058**	**$ 20,145**	4,707,954	$ 14,804
Shares issued:				
Conversion of Class "B" shares into Class "A" shares	**932,672**	**1,472**	26,373	41
Conversion of debentures	**—**	**—**	1,444,531	5,719
Issuance of shares pursuant to stock option plan (note 14)	**66,000**	**310**	10,000	43
Shares redeemed for cancellation	**(238,000)**	**(794)**	(146,800)	(462)
Outstanding, end of year	**6,802,730**	**$ 21,133**	6,042,058	$ 20,145
Total		**$ 25,195**		$ 25,775

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

13. SHARE CAPITAL (CONTINUED):

During the year, the Company redeemed 61,000 Class "B" shares (9,200 in 2001) for cancellation for a cash consideration of $488,787 ($64,262 in 2001), including a premium of $392,583 ($49,753 in 2001) charged to retained earnings. It also redeemed 238,000 Class "A" subordinate voting shares (146,800 in 2001) for cancellation for a cash consideration of $1,866,666 ($1,018,877 in 2001), including a premium of $1,073,103 ($557,292 in 2001) charged to retained earnings.

In 2001, 1,444,531 Class "A" subordinate voting shares were issued on the conversion of a portion of the convertible subordinate debentures. A total amount of $5,719,246 was recorded in the capital stock of Class "A" subordinate voting shares, comprising 45.1% of the balance of convertible subordinate debentures issued initially and the equity component of the convertible subordinate debentures.

14. STOCK OPTION PLANS:

Under stock option plans for senior executives, management and directors, a maximum of 967 424 Class "A" subordinate voting shares of the share capital of the Company can be issued. Under the plans, the exercise price of each option is equivalent to the price of the Company's shares on the date of grant of the options and the maximum term of an option may not exceed 10 years. The terms and conditions of the options are determined by the Board of Directors.

	2002		2001	
	Shares	**Weighted average exercise price**	Shares	Weighted average exercise price
Outstanding, beginning of year	**724,000**	**$ 4.86**	320,000	$ 3.97
Granted	**31,000**	**7.60**	416,000	5.53
Exercised in stock	**(66,000)**	**4.71**	(10,000)	4.33
Exercised in cash	**(20,000)**	**5.35**	—	—
Forfeited	**(33,000)**	**4.87**	(2,000)	5.35
Outstanding, end of year	**636,000**	**$ 4.99**	724,000	$ 4.86

The following table summarizes information on the stock options outstanding as at March 31, 2002:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
$3.80 - $3.90	70,000	5.3	$ 3.56	50,000	$ 3.42
$4.00 - $4.25	200,000	6.8	4.14	110,000	4.15
$5.35	307,000	8.1	5.35	182,200	5.35
$7.60 - $8.00	59,000	8.8	7.72	37,400	7.73
	636,000	7.4	$ 4.99	379,600	$ 4.98

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

15. INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF EARNINGS:

The consolidated statements of earnings include the following items:

	2002	2001
Amortization of fixed assets	$ 6,325	$ 6,177
Amortization of goodwill	775	506
Amortization of development costs	288	388
Amortization of deferred financing costs	274	193
Amortization of discount on subordinate debentures	—	5
Amortization of other assets	378	649
Amortization of deferred government assistance and investment tax credits	(34)	(34)
	$ 8,006	$ 7,884
Interest on long-term debt	$ 2,876	$ 5,351

16. NON-RECURRING EXPENSES:

The Company incurred restructuring charges of $4,908,000 in 2002 related to a restructuration of the workforce in the United States and in Mexico and to the termination of the European agreement with Coinpasa/Enertec. The details of these non-recurring expenses are as follows:

	2002	2001
Severance and other fringe benefits	$ 2,805	$ —
Loss on disposal, write-off of receivables and payments under guarantees related to Coinpasa/Enertec	2,103	—
	$ 4,908	$ —

17. EARNINGS PER SHARE:

The basic earnings per share is calculated by dividing the net earnings that belong to the common shareholders by the weighted average amount of participating shares outstanding during the period.

The diluted earnings per share is calculated by dividing the net earnings that belong to the common shareholders by the weighted average amount of common shares outstanding restated to account for the potential diluting impact of the stock options.

	2002	2001
	(in thousands)	
Weighted average number of participating shares outstanding	9,421	9,532
Potential dilutive impact	231	170
Weighted average number of participating and diluted shares	9,652	9,702

18. NON-CASH ITEMS IN NET EARNINGS:

	2002	2001
Loss (gain) on disposal of commercial activities	$ 269	$ (530)
Loss on write-off of investments and other assets	—	507
Loss (gain) on disposal of fixed assets and other assets	846	(532)
Amortization (note 15)	8,006	7,884
Future income taxes	9,940	(2,913)
Pension costs	(91)	(85)
Non-controlling interest	(573)	(452)
	$ 18,397	$ 3,879

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

19. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES:

	2002	2001
Accounts receivable	$ 23,996	$ (4,881)
Inventories	438	(1,644)
Income taxes	(5,501)	(806)
Contracts in progress and progress billings	(15,692)	12,499
Prepaid expenses	(1,011)	1,526
Accounts payable and accrued liabilities and other liabilities	(14,241)	(6,519)
	$ (12,011)	$ 175

20. BUSINESS ACQUISITIONS:

Business acquisitions are accounted for using the purchase method. Accordingly, the allocation of the purchase price to assets and liabilities is based on their fair value.

The results of operations are included in the consolidated financial statements from the date of acquisition.

The following table summarizes the net assets acquired or sold during the past two years:

	2002		2001	
	Net assets acquired	Net assets sold	Net assets acquired	Net assets sold
Current assets	$ 1,315	$ 3,688	$ 2,363	$ 319
Fixed assets	98	275	—	7
Goodwill	91	—	2,294	—
Other assets	30	2,897	3,111	639
	1,534	6,860	7,768	965
Current liabilities	(343)	(4,146)	(2,215)	—
Long-term debt and other liabilities	—	(296)	—	(484)
Non-controlling interest	—	(2,245)	659	—
Net assets acquired or sold	$ 1,191	$ 173	$ 6,212	$ 481
Cash consideration paid (received), net of cash and cash equivalents received or paid	$ 891	$ 96	$ 6,212	$ (1,011)

(a) Year ended March 31, 2002:

On April 2, 2001, the Company acquired the assets of E.L.P. Products Inc. for a cash consideration of $891,000 and a balance of sale of $300,000. The activities of this company are allocated to the "Other" business segment.

Also during the year, the Company sold its 50% interest in GL&V Pulp and Paper S.L. for an additional interest of 50% in GL&V - Pulp and Paper Europe Group APS. The activities of these companies are allocated to the "Pulp and Paper" business segment.

(b) Year ended March 31, 2001:

On June 16, 2000, the Company acquired the assets of Environmental Equipment & Systems, Inc. for a cash consideration of $997,390.

On September 19, 2000, the Company acquired the assets of ADDAX Australia Pty. Ltd. for a cash consideration of $371,950.

On December 4, 2000, the Company acquired the remaining 35% of the shares of GL&V - Fabrication Inc. held by Fonds de solidarité FTQ for a cash consideration of $4,351,156.

On October 18, 2000, the Company sold its 50% interest in GL&V - Technologies of Hydrogen Systems N.V. for a cash consideration of $1,010,700.

On January 15, 2001, the Company merged its intellectual property rights in Europe with those of ENERTECH, S.A., a subsidiary of COINPASA, Compania Internacional De Plantas Papeleras, S.A. The Company received certain assets and $878,472 from the non-controlling interest.

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

20. BUSINESS ACQUISITIONS (CONTINUED):

During the year, the Company finalized the purchase price allocation for certain acquisitions made during the course of the preceding year, which resulted in an increase in fixed assets of $1,823,000, a decrease in goodwill of $4,342,000, and an increase in working capital of $2,519,000.

The Company also agreed to a final adjustment for an acquisition made in the previous year resulting in the payment of $1,370,000, thereby increasing goodwill by an equivalent amount.

21. SEGMENTED INFORMATION:

The Company and its subsidiaries conduct their activities mainly in the United States, Canada and Europe in three large business segments, the Pulp and Paper Group, the Process Group, and Manufacturing.

The segments are managed separately as they require different marketing strategies. The Company measures the performance of each segment based on the earnings before provision for income taxes and financial expenses.

The accounting policies for each segment are identical to those used for the consolidated financial statements. Intersegment sales are concluded at an agreed upon amount between the segments involved.

	Pulp and Paper Group		Process Group		Manufacturing		Other and elimination		Total	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
Revenues	**$ 240,789**	$ 288,968	**$ 107,788**	$ 119,553	**$ 30,822**	$ 28,595	**$ (26,770)**	$ (29,651)	**$ 352,628**	$ 407,465
Amortization of fixed assets, goodwill and other assets	**5,219**	4,595	**1,745**	2,007	**851**	694	**191**	583	**8,006**	7,879
Earnings before provision for income taxes, financial expenses and minority interest	**4,420**	21,772	**8,965**	6,852	**2,593**	2,452	**3,088**	(4,123)	**19,066**	26,953
Segment assets	**129,872**	148,017	**110,816**	126,339	**18,918**	13,137	**(39,101)**	(56,283)	**220,505**	231,210
Acquisition of fixed assets	**3,483**	5,601	**472**	1,381	**689**	1,443	**413**	474	**5,057**	8,899

The consolidated data per geographic segment is represented based on the location of the subsidiaries.

	2002	2001
Revenue per geographic segment:		
Canada	**$ 112,910**	$ 109,838
United States	**173,540**	230,800
Europe and other	**102,439**	97,003
Eliminations	**(36,261)**	(30,176)
	$ 352,628	$ 407,465
Export sales from Canadian subsidiaries	**$ 60,441**	$ 48,631
Assets per geographic segment:		
Fixed assets:		
Canada	**$ 15,094**	$ 15,216
United States	**37,048**	38,431
Europe and other	**186**	5,210
	$ 52,328	$ 58,857
Goodwill:		
Canada	**$ 82**	$ —
United States	**12,519**	13,066
Europe and other	**442**	487
	$ 13,043	$ 13,553

Years ended March 31, 2002 and 2001

(Tabular amounts are expressed in thousands of dollars, except for per share amounts.)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS:

(a) Fair value of financial instruments:

The fair value of cash, temporary investments, accounts receivable and accounts payable and accrued liabilities is equivalent to the carrying amount thereof given that they will mature shortly.

The following table shows the carrying value and fair value of certain financial instruments which have a fair value which is different from their carrying value as at March 31, 2002 and 2001. The estimated fair value of debt instruments is determined by discounting future cash flows at market interest rates at year-end of similar instruments having the same maturity date. The fair value of derivatives is estimated using the market price at year-end and reflects the amount that the Company would receive or pay if the contracts terminated on these dates.

	2002		2001	
	Carrying value	**Fair value**	Carrying value	Fair value
Other investments	**$ 2,256**	**$ 2,258**	$ 2,847	$ 2,817
Long-term debt including current portion	**56,378**	**56,376**	58,636	58,621
Forward exchange contracts	**—**	**(135)**	—	(263)

(b) Forward exchange contracts:

The Company has entered into forward exchange contracts which in effect fixed the Canadian dollar amount of future cash flows in US dollars until December 2002 for an amount of CDN$9,500,000 at an average rate of 0.642.

23. COMMITMENTS:

The Company has entered into operating leases for premises and equipment with total minimum lease payments of $10,836,000, which expire at various dates until 2008. Minimum lease payments for the next five years are as follows:

2003	$ 3,784
2004	2,799
2005	2,141
2006	1,372
2007	662

The Company is also committed under letters of credit and guarantee. At March 31, 2002, $20,688,000 ($18,443,000 in 2001) were committed.

24. CONTINGENCIES:

The Company and its subsidiaries are parties to claims and suits brought against them for which it is impossible to determine the outcome. In the opinion of management, the results of such claims and suits are not expected to materially affect the Company's financial position.

25. COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with presentation adopted in the current year.

DIRECTORS AND OFFICERS

DIRECTORS

LAURENT VERREAULT
Chairman of the Board,
President and Chief Executive Officer of GL&V

CLAUDE BOIVIN (1) (2)
Director of Corporations

JEAN DESBIENS
Consultant

ROBERT DORION (1)
Partner
Gowling Lafleur Henderson LLP
Law Firm

LOUIS LAPERRIÈRE (2)
President and Chief Executive Officer,
HMI Construction Inc.

BERNARD LEMAIRE
Chairman of the Board,
Cascades Inc.

PIERRE MONAHAN (1)
President, Canadian Forest Products Division
Bowater Forest Products of Canada Inc.

WILLIAM SAULNIER
Executive Vice-President and
Chief Financial Officer of GL&V

RICHARD VERREAULT
President, Pulp and Paper Group of GL&V

(1) Member of the Audit Committee
(2) Member of the Corporate Governance and Human Resources Committee

OFFICERS

LAURENT VERREAULT
Chairman of the Board,
President and Chief Executive Officer

MARC BARBEAU
Vice-President,
Taxation and Treasury

GREG BRUYEA
President,
Process Group

ROBERT COOMES
President,
Mixed Markets

ROBERT GAULIN
Vice-President,
Human Resources

MICHEL GÉLINAS
Vice-President and General Manager,
GL&V Manufacturing - Division of GL&V Canada Inc.

PIERRE LÉPINE
Vice-President,
Corporate Development

WILLIAM SAULNIER
Executive Vice-President and
Chief Financial Officer

MIKAEL SUNDQVIST
President and General Manager,
GL&V Sweden AB

RICHARD VERREAULT
President,
Pulp and Paper Group

BART YULE
Vice-President and General Manager,
GL&V Dorr-Oliver - Division of GL&V Canada Inc.

Other Information

Head Office
GL&V
25 des Forges Street, Suite 420
Le Bourg du Fleuve Building
Trois-Rivières, Quebec
G9A 6A7
Tel: (819) 371-8265
Fax: (819) 373-4439

Executive Office
GL&V
1550 Metcalfe Street
Suite 600
Montreal, Quebec
H3A 1X6
Tel: (514) 284-2224
Fax: (514) 284-2225

Web Site
www.glv.com

E-mail
courrier@glv.com

Transfer Agent and Registrar
Desjardins Trust Inc.

Auditors
KPMG LLP

Legal Counsel
Gowling Lafleur Henderson LLP

Financial Communications
Lefebvre Financial Communications Inc.

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Roland Ménard Design

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